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MERCHANDISING

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MERCHANDISING

BY

ARCHER WALL DOUGLAS

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PREFACE

This book is the result of forty years' experience and service in one of the largest distributing houses in the country, and consequently it reflects methods and processes which are in constant daily use. The outlines of teaching some phases of Merchandising are those I found necessary to employ in the pursuit of my duties. Hence this work is still further the expression of my conviction that all economic subjects need both study and practical experience for their proper elucidation and understanding.

ARCHER WALL DOUGLAS.

St. Louis, Mo.,
April, 1918

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MERCHANDISING

UNIV. OF CALIFORNIA

MERCHANDISING

CHAPTER ONE

THE NATURE AND FUNCTION OF MERCHANDISING

The matter of merchandising is the fundamental factor in all commercial activities, which have distribution for their principal purpose. In this respect it differs inherently from all productive enterprises, such as manufacturing, mining, agriculture and similar pursuits, which have production for their first endeavor.

It does not necessarily follow from this statement that a factor which is primal is consequently the most important of all the various phases of the business in question, but rather that its problems must first be solved before the successful prosecution of the other factors can be undertaken. As a matter of fact it is a common custom, founded upon a curious and ineradicable trait in human nature, for those engaged in any particular phase of business to exalt its importance in relation to the general whole. The truer point of view is that each component of any business is a necessary adjunct to the whole, and also that it involves different treatment and different capabilities from its co-ordinate pursuits. It

is none the less true that the broad principle of merchandising is probably the least understood of any one factor in the business of distribution, and the one to which the least intelligent and scientific study has been given. It is unduly burdened with the ways and methods of the past, which rest upon no more logical basis than that of custom, and which are often out of touch with modern conditions. It is likewise the victim of antiquated axioms and rule of thumb procedures, which hamper its usefulness and obscure its real purpose. It inherently possesses far reaching and most important possibilities, as an intelligent study of it will plainly demonstrate. It is likewise capable of the application of much scientific analysis, as the ensuing chapters will endeavor to make clear.

In its treatment, the various factors which make up the general whole will be considered in the priority of their application in practical use. Briefly stated, the purpose and function of merchandising is the providing of merchandise, or "goods" as they are generally known in trade, in such quantities, of such quality, and in such assortments as will supply the wants, desires and tastes of the ultimate consumers for whose use they are intended.

This definition must be understood to include and comprehend all the various operations of business which result in the transfer of the goods from manufacturer to

the consumer. There follows later on in this chapter a statement of these different operations or factors, with a brief statement of their various functions, which will be treated at greater length under their appropriate headings in succeeding chapters. These factors are considered in general from the standpoint of the practices of the jobber or wholesaler distributer, as this offers a broader field for consideration than the retail trade only. To-day, however, in some sections, especially in the South, it is difficult to make a sharp distinction between the wholesaler and the retailer, as many large merchants combine both functions. Also in some large cities there are merchants who, while doing a strictly retail business, are none the less large distributers. The usual distinction made between a wholesaler and a retailer is that a wholesaler sells only to retailers, and not directly to the users or consumers, while the retailers sell only to users or consumers. Yet this distinction is not invariable, since some wholesalers sell to such consumers as railroads, mines, manufacturers and contractors.

It will be seen thus that merchandising is one of the inherent parts or factors of general commerce, as is manufacturing, transportation, mining, banking, agriculture, fishing, lumbering and each of the various components of production and distribution which constitute the world of business. Lest there be any confusion of thought as to the meaning of the terms employed in this

book, it must be borne in mind that in business circles of the workyday world the term "production" means in its elemental and primitive sense, the making of something entirely new, either by change of form, as in mining and manufacturing, or by change of nature, as in agriculture, where the elements of the earth, air and water are combined by natural processes into new and different products, while in economics the term "production" is often applied to the creation of values, as for instance in the case where the merchant transports articles from a place where there is no call for them to other localities where a demand for them exists, and thus gives them new values. In this book the term "production" is used in the sense in which it is generally understood in the everyday business world.

The various chapters taken in their sequence treat the subject of merchandising, as follows:

Buying: The initial performance is that of buying the goods, which are to be the object of merchandising.

The Turnover of Stock: An essential element of that phase of merchandising which directly has financial profit for its object.

The Care of Stock: The economical and efficient handling and care of the goods when received.

Ordering: The placing of specifications or orders for the goods when once bought and how this shall best be done.

Selling: The sale of the goods to customers, since all previous operations lead up to this important climax.

Filling Orders: The shipment of the goods to the customers to whom they have been sold.

Financial Factors: Their important bearing on the results of merchandising.

Distribution: How merchandising is vitally affected by the problem of getting goods to the retail distributers and the ultimate consumers.

Advertising: How it affects merchandising by increasing the sale of the goods.

The Human Equation: How in the last analysis successful merchandising depends upon the efficiency of the human unit.

The ultimate purpose of merchandising is that of all commercial pursuits, namely, financial profit through the observance of intelligent and efficient business methods.

CHAPTER II

BUYING

Obviously the beginning of merchandising is the purchase of such goods as form the basis of the merchandising policy. Although it is true that practically every phase of buying has either a direct or indirect effect on merchandising, yet it is more convenient to treat some of the minor elements of buying in connection with the various factors in merchandising, as the latter occur in their proper sequence. It must also be noted that at times the policy of buying is totally at variance with some of the vital principles of ordering, especially when such departures indicate a greater promise of profit than by following the general axioms of merchandising. This is especially the case in periods of advancing prices when the wise policy is to make commitments farther ahead and to carry much larger stocks than are needed to supply only the immediate wants of customers. For after all, the successful policy of every commercial organization has thoughtful opportunism for its guide rather than cast iron, fixed principles, like unto the law of the Medes and the Per-

sians which altereth not. The truth is that there are comparatively few policies in business, save those of honesty and fair dealing, which cannot safely and wisely be made to conform to ever changing conditions.

In most large jobbing or wholesale concerns, the element of buying is apt to have undue importance attached to it, especially in comparison with ordering and selling. For instance the axiom that "Goods well bought are half sold" for many years was unthinkingly accepted as a fundamental truth until the art and science of selling came to be more generally and intelligently understood. Suffice it to say that buying is a pursuit whose success demands the most careful study and analysis, especially from the human side, although it is foreign to the purpose of this book to treat of it save in relation to merchandising.

In most business organizations, both wholesale and retail, the functions of buying and ordering of goods are usually combined in the same persons. Of late years, however, and in concerns large enough to make the practice economical, it has been found wise to separate entirely the two duties. The reasons for this are largely psychological. The buyer is naturally a "bull" on prices, since the profit he directly shows as his share of the business gain is largely the result of an advance

in the prices of goods bought at lower figures. This point of view often has a tendency to cause him to purchase more heavily than conditions warrant, and consequently to be loaded up with overstocks of goods, thus involving the expense of heavy carrying charges. He is also apt to buy from the manufacturer making the lowest prices rather than the one rendering the best service. Furthermore he is constantly tempted by a special price for large quantities to order more goods than results show to be either wise or profitable.

The instinct of ordering is the reverse of all this. For the orderer of goods, who is not at the same time a buyer, has for his main purpose the constant "turnover of stock," and this confines his commitments as far as possible to immediate wants.

This apparent conflict between buying and ordering policies often assumes a phase somewhat as follows:

A jobber in a large city finds that he can purchase some article made in the city more cheaply from a manufacturer in another city than from the local maker. If it be a staple item, such for instance as nails, or carriage bolts, it is often more profitable to buy from the local manufacturer, provided the cost of doing so be not too great. The components that determine this problem are about as follows: that the advance in price

charged by the local manufacturer be not too great, also that he give prompt service. With these requisites the resultant small stock carried and the consequent rapid turnover of stock, more than offset the lower price of the far away manufacturer. The latter suffers also the additional handicap of not being able to deliver his goods as promptly as the local manufacturer, consequently the jobber is forced to carry a larger stock when buying from him. The wholesaler is thus enabled, when buying from the local or nearby manufacturer, to fulfill one of the fundamental principles of ordering, namely, carrying the smallest possible amount of stock by placing constant small orders at frequent intervals.

The continuing aim of buying is to purchase at lower figures than those generally prevailing on the market, and thus to make a profit over one's competitors because of this special concession in prices. This is accomplished only when this special price is reserved as net profit, and not reflected in a lower selling price to customers. What actually happens in the great majority of cases is a lower selling price, because of a lower cost, and an endeavor thus to obtain additional business on this basis. It is this latter phase only which directly affects the policy of ordering, and will be treated under the subject of selling.

CHAPTER III

TURNOVER OF STOCK

The most fundamental and important factor in merchandising is that of the "turnover" of the stock of merchandise on hand. Its purpose is the employment of the least possible amount of capital in the business, as shown in its investment in the stock of goods on hand, consistent with having enough goods always to fill orders promptly. Its value as a money making factor of prime importance can only fairly be judged in full measure in normal times when speculation is largely absent and when goods are plentiful and can be had readily. Under such conditions not only is the element of speculative profit absent, but competition is most severe and consequently there is not the usual percentage of gross profit—or the difference between the cost of the goods and what they are sold for. The turnover of the stock, then, becomes a most necessary component in the problem of obtaining sufficient net returns on the volume of business. Theoretically all money invested in the stock of merchandise on hand must have charged against

it the current rates at which mercantile loans are usually obtained, or say an average of 6% per annum. So far as results are concerned, it does not matter whether the capital so invested in a stock of goods is all owned by the concern in question, or whether a part of it is borrowed from the banks. For the logic of the situation is that if the money owned by the concern was not thus locked up in stocks of merchandise, it could be loaned out at the current rate of interest and thus be earning 6%, when now it is not earning anything.

As a matter of fact it is rather an advantage for a mercantile concern to own only the large portion of its capital, and to be a borrower for the remainder needed to finance its operations, rather than to own outright the entire capital it employs. In the former case the borrowed capital can often be obtained on demand and repaid in dull times when there is no immediate use for it, thus doing away with interest charges for the time being. On the other hand, when the concern owns all of its capital, there are times when the trade is quiet and the volume of business small, and when the surplus capital cannot be loaned out on demand save at a low rate of interest. For it is seldom safe to loan it on time at current rates, since it may be needed at any moment, and practically must always be available as liquid cap-

ital. Besides it is rarely ever practicable for a mercantile concern to loan money in this fashion, and it must therefore generally be content with the small rate of interest which banks give on deposits. All money invested in stock is therefore subject to an interest charge, and it is consequently a matter of necessary profit that only as much of it should be so invested as is needed for the safe and successful conduct of the business. In addition to interest charges against the stock on hand, there are also to be considered insurance, rent and depreciation, and taxes, and the sum of all these expenses of having stock on hand are what are known as carrying charges.

Insurance varies according to the nature of the goods and the building in which they are stored. Rent depends largely upon location and the character of the building. In a wholesale business its cost bears less heavily proportionately upon the total cost of doing business than almost any other item of expense because of its very small ratio to the entire expense, as it does not usually run any higher than 1 or 1½%. In a retail business, however, it is a serious factor, because often retail stands are in the most expensive portions of the city, and it becomes a great burden if the volume of business be not in proportion.

Depreciation varies much according as to whether the goods are perishable or not, and the extent to which they are affected by the weather. In general in most branches of business it is of minor importance. It will therefore be seen that only a general statement can be made as to the ratio of carrying charges to the amount of money invested in stocks of merchandise. For the sake of our argument, the sum of all these carrying charges is reckoned at an average of 1% per month or 12% per annum. That is to say, that $10,000.00 invested in a stock of goods costs $100.00 per month, or $1200.00 per annum.

Let us take a case of a jobber whose average stock of merchandise is $100,000.00 and who does a business annually of $300,000.00 at cost figures. He has therefore turned his stock three times, that being the relation of the total sales to the average stock on hand. Meanwhile another jobber in the same line of business has an average stock on hand of only $75,000.00, but does the same volume of business as the first merchant, namely, $300,000.00. His turnover is four times per annum. Consequently, other things being equal, the second merchant saves the carrying charges on $25,000.00 (the less amount of stock on hand), or $3,000.00 per annum, because of a greater turnover. There is also another

factor in the situation, namely, that the $25,000.00 thus saved because of more rapid turnover can be invested in stock on hand if desired to increase the stock to that extent, and thus be earning whatever is the average rate of profit of the concern.

It is well to understand that in figuring the turnover of an average stock of merchandise that there must first be established an equality of value between the merchandise stock on hand and the amount of sales. For the value of a stock of merchandise is always the cost price paid for it, while sales are reckoned in the selling prices obtained for this same merchandise. For instance the distributer finds that he gets on the average 20% more for his goods than he pays for them. This 20% is his "gross profit." If his average stock of merchandise is $100,000.00 and his annual sales are $360,000.00, in order to have an actual comparison of values in estimating his turnover he must reduce his sales to the same common denominator as his stock of merchandise by deducting $16^{2}/_{3}\%$, from them. For if $100.00 be the cost value of any article of merchandise, and the gross profit between sales figures and the cost be 20%, then the equation is:

$100.00 + 20% (or $20.00)	= $120.00
and deducting $16^2/_3\%$	= 20.00
brings it back again to the cost value	$100.00

The examples in paragraph above have sales values reduced to the same common denominator as merchandise stock.

In the matter of individual items or lines of goods, the same profitable result of an increased turnover is easily apparent. Let us take for example two lines of goods in the hardware business, entirely distinct in their nature and uses—wire nails and old style razors. Let us assume arbitrarily, in order to make the demonstration clearer, and without any relation to the actual facts in the case, that old style razors bear the merchant a gross profit of 50%, while the gross profit on wire nails is only $7\frac{1}{2}\%$. The average merchant is apt to assume that because of the great difference in the gross profits of the two articles that old style razors are very profitable and wire nails are not. Facts do not bear out this assumption, provided both articles be subjected to the same intelligent system of merchandising. The cost of handling and selling wire nails is much less than that of old style razors. Wire nails can be stored in cheap warehouses where rent and insurance are small. Nor is there any depreciation in

them when kept in stock for some time. They can be handled by cheap labor. Moreover, the cost of selling wire nails is very low. They are bought by the dealer or consumer when needed and without any special effort on the part of the salesman. On the other hand, old style razors have to be kept where they are not exposed to moisture and where they are secure from theft. This implies higher rent and insurance charges than on nails. They require higher priced labor in handling than wire nails. They do not "sell themselves" as in the case of the nails, but are usually sold from samples carried by the salesman, and often require much art and time to effect their sales. If therefore the average cost of doing business of any concern is 18%, it is probable that the total cost of handling nails is only about 5%, while that of old style razors is 25%.

The percentage cost of doing business is arrived at by the relation of the total sales to the total expenses. If the annual sales of a concern are $1,000,000.00 and the total expenses for the same period $180,000.00, then the percentage cost of doing business of that concern is 18%. It is evident that it costs more to handle some lines of goods than others, and consequently that the percentage cost of doing business on some lines is greater than the average of 18% and on others it is less. In general, how-

ever, any attempt to differentiate more than approximately the cost of doing business among all the different lines which make up the assortment of a mercantile store is too complex and moreover is rarely of any practical value.

As an example, however, of the value of the turnover in affecting profits, let us assume that the gross profits of old style razors are 50% and the cost of handling them about 25% while the cost of handling wire nails is 5% and their gross profit 7½%. Wire nails are supposed to be made by a nearby nail and wire mill, who can ship orders promptly and can also make quick deliveries, so that there is no need of the jobber carrying a large stock of these goods, thus rendering possible a frequent turnover of stock. On the other hand, old style razors are mostly imported, or rather they were before the European war. So it takes some time for the order to reach the manufacturer, and some time for shipment to reach this country after it is once made. In the case of wire nails if any one size runs out unexpectedly, it is a very simple matter to wire or telephone the nail mill and get prompt shipment. Obviously this cannot be done in the case of old style razors, so a complete stock must be ordered some time in advance, and of such assortment and quan-

tity as will keep the stock intact for many months. We assume, then, that it is only necessary to carry a little over three weeks' stock of wire nails on hand at any one time, while six months' stock of old style razors is the least it is safe to provide for. The problem then assumes the following phase: If we invest $10,000.00 in wire nails and turn the stock over 14 times annually, we have a total investment of $140,000.00 on which we make a gross profit of 7½% or $10,500.00, but this gross profit is practically on $10,000.00, which was reinvested some 14 times. If we invest the same amount, $10,000.00, in old style razors, and turn the stock over twice annually, or once every six months, and have a gross profit of 50%, then we have a total investment of $20,000.00, and a gross profit of $10,000.00. Assuming that the cost of doing business on wire nails is 5% and on old style razors is 25%, we then have the following conclusion:

Wire Nails, gross profit.....	$10,500.00
Less cost of doing business, 5% on $140,000.00.....	7,000.00
	3,500.00,

or practically a net profit of 35% on the $10,000.00 we have so constantly invested.

Old Style Razors, gross profit.....	$10,000.00
Cost of doing business, 25% on $20,000.00.....	5,000.00
	5,000.00

or a net profit of 50% on the $10,000.00 so constantly invested.

It will thus be seen that old style razors, with a gross profit of more than 600% greater than wire nails, are only able to show, because of a smaller turnover, a net profit of about 40% greater. The real purpose of the turnover in the case of wire nails is to obtain a satisfactory profit on an article with a low rate of both gross and net profit but with possibilities of a high turnover. If for instance, through lack of intelligent attention and ordering, the turnover on wire nails is only 7 times per annum, we have the following situation:

7 times $10,000.00.....	$70,000.00
	total capital employed.
Gross profit 7½%.....	$ 5,250.00
Cost of doing business 5% on $70,000.00.....	3,500.00
	1,750.00,

or a net profit of one-half of that when the turnover was 14 times instead of 7.

It is essential, however, that the gross profit on any article shall exceed the cost of doing business on that article, for frequent turnovers cannot create a profit where none exists. The amount of capital constantly reinvested is not exactly the same amount each time, but somewhat larger on the whole. This because of what may be called the "laps and slams" of business. In the case of a wholesaler, for instance, while he pays cash promptly on 10 days' time for wire nails he purchases from the manufacturer, he does not receive this money back as promptly from his customers, the retail trade. Probably not over 50% of them discount their wire nail bills within ten days' time. The remainder take from 30 to 60 days before remitting for them. Therefore as the wholesaler does not receive his money back as promptly as he pays the manufacturer, in order to bridge this gap he has to add something to it. To this small extent which it is not possible to estimate with any approach to accuracy, there is somewhat more capital invested than the original $10,000.00, and consequently the favorable showing as to the per cent of earnings by quick turnover is that much affected.

The rate of turnover is found by the relation of average stock on hand to the total annual sales. If the sales of wire nails are 140,000 kegs per annum, and the aver-

age stock 10,000 kegs, then the annual turn over is 14 times.

The unit employed in merchandising in estimating the turnover on lines of goods or individual articles is usually that of quantity, rather than dollars and cents, though the result is practically the same in both cases. In the following chapter we will consider the methods by which the turnover of stock is accomplished.

CHAPTER IV

THE CARE OF STOCK

The general principles of merchandising are equally applicable to wholesale and retail distribution, but the methods of application often differ in degree rather than in kind.

Many systems in merchandising are necessitated in the wholesale or jobbing trade because of the size of the business, whereas to attempt to apply such systems in their entirety to retail business would be both unfitting and expensive. This is the case in less degree with the smaller jobber, as compared with the larger distributer. By force of circumstances and difference in environment the lesser business must often substitute the human equation for mechanical methods and systems.

The plans and policies outlined in this book are intended in their primary application for the large wholesale distributer, though in essence they are equally applicable to the retail dealer with such modifications as the difference in surroundings and the size of the business render necessary.

All successful merchandising is predicated on the

proper care and handling of the stock of goods on hand. There must be an accurate system which registers the receipt and shipment of goods so far as they affect the amount and volume of stock on hand. There must also be always available the knowledge whether goods on orders have been shipped; that is, are "on the road" as it is usually called. Above all there must be a reliable method of accurately "taking an account of stock," as it is generally known. In other words, it must be possible to know on specified fixed dates just how many items of all goods are on hand. The first purpose of such knowledge is to determine what the sales have been for a certain period just passed, and thus decide whether to place additional orders; and if so, in what quantities. The details of this system will be fully treated in the chapter on "Ordering."

Taking stock of any long line of goods, as for instance carriage bolts, demands both care and experience. The man counting the goods must be familiar with them and must likewise be very accurate. To fail to count all the goods and thus report fewer goods on hand than is really the case means showing larger sales than actually exist and consequently the placing of a larger order than should be the case, with resulting overstocks. If, for instance, the account of stock on a certain date

reports 200 kegs of 8d common wire nails, when the real stock is 500 kegs, there may result something like this: the sales, say for the past 30 days or the date when the previous account of stock of nails was taken, would show 300 kegs greater than was really the case. The new order which is placed will therefore be for more nails than are actually needed and will consequently be an overstock to that extent. On the other hand, if the stock on hand is reported at 800 kegs when it really is 500 kegs, the sales are wrong to the extent of the error and the order placed will be just that much too small. A shortage of goods will consequently soon develop, unless the error be discovered in time. It is therefore very important that the stockman, whose duty it is to take account of stock, shall have this made his first duty, and shall not, as is often the case, be forced to neglect taking accounts of stock because of being called away in very busy times to assist in getting out goods for shipment.

In most large jobbing houses stocks of long lines of goods are carried in two ways, or what is known as "duplicate" and "open" stocks. In the case of wood screws, for instance, it is found that the stock of staple sizes is too large to go in the bins from which they are to be taken out to fill orders, so a full case of a staple

size is opened and the bin filled with all it will hold. This may mean only 200 gross of a staple size, say 1 x 10, whereas the total stock of that particular size on hand may be 2000 gross. The remainder, or 1800 gross, are stored away in the original cases, as they came from the manufacturer, in the cellar of the same building or in some adjoining or nearby warehouse. Whenever the bin containing the open stock needs replenishing, a case is opened in the duplicate stock and the necessary amount sent to the open stock, so whenever the account of stocks of wood screws is taken the stock must be counted in both open and duplicate stocks. To save this unnecessary labor there is often used in duplicate stock what is known as "a perpetual inventory," where the account of stock is kept up to date by the simple process of addition and subtraction. For instance, on the card which is attached to each bin, there is a constant record of the shipments received from the manufacturer, and of the amounts sent to open stock to be shipped to customers. The difference between these figures shows the stock on hand at any given period. This perpetual inventory must be verified from time to time by an actual taking of the stock in duplicate, for, owing to human forgetfulness in not putting down on the cards all the additions and sub-

tractions, the stock record on the card will otherwise become very inaccurate. The perpetual inventory system is confined to duplicate stocks only, as the amounts in the open stock are small enough to be easily counted. The dual system—open and duplicate—is likewise applicable only to complicated lines of much volume and in large quantities. Other stocks, with lesser assortments and smaller quantities are all kept in open stocks. The dual system necessitates extra care and accuracy in keeping track of the goods on hand, and emphasizes the need of trained and experienced help for such purpose. This is brought out very succinctly in the matter of what is known as "Low Reports" and "Shortage." The accounts of stock tell the story at the time of the condition of the stock, and whether there is sufficiency of goods or whether more need to be ordered; but they do not cover the daily changes in the intervals between the taking of these accounts. No amount of care and foresight in placing orders in advance for the wants between these intervals of stock taking can possibly provide all the needed goods and prevent some of the goods from being exhausted. This is due to the uncertainty and inequality of sales which vary constantly from day to day, owing to new and unexpected demands and constantly changing con-

ditions of business. To cover these conditions there is frequently used a system of what is known as "Maximum and Minimum Quantities." A memorandum is taken from the records of sales of the average sales of each item in stock, say for 60 days during a period of several years. There is then established a maximum quantity of about the full sixty day sales, and a minimum quantity representing 30 days' sales. These quantities, of course, need to be revised at long intervals so that they may be in accordance with changes in the volume of sales. The maximum quantity represents the figures above which the stock must not be allowed to go, since all stock in excess of such figures is regarded as an overstock. The minimum figures are those below which the stock must not be allowed to fall, since to do so incurs the risk of the goods running out entirely before the supply can be replenished. Both maximum and minimum figures are placed on a card upon the bin containing the stock of the item in question. In goods having both open and duplicate stocks, this is done upon duplicate stocks only, and in those having open stocks upon the open stocks. It then becomes the duty of the man in charge of the stock to report to the Merchandise Department whenever the maximum or minimum figures are reached on any particular item. In the case of maximum

figures the Merchandise Department must prevent any further accumulation of stock of such item by either canceling orders due for such goods, or else holding up and deferring shipment of them for the time being, and by not placing any further orders for the item in question until the stock on hand falls below the maximum figure. In the case of the minimum quantity having been reached, a memorandum usually known as a "low report" is sent by the Stock Department to the Merchandise Department, and it is then the duty of the latter to provide the necessary goods before the stock runs out entirely. The ways and means of doing this will be discussed under the head of "Ordering" in succeeding chapters. In spite of the most complete systems, well and intelligently administered, and the most careful and far-sighted ordering, it is impossible to prevent goods running out entirely, and this becomes a "shortage" and is one of the most expensive happening in business.

The greater part of the machinery of business is directed to effecting sales; and all the expense of operating this machinery is incurred to no purpose in case of inability to fill the order on goods because these are "short;" that is, not in stock and have to be omitted from the order in question. There is the further disavdantage of the dis-

couragement of the salesman who takes the order and finds that the goods are not shipped and hesitates, therefore, to make further sales of them. Worst, and most fatal of all, is the likelihood of the customer becoming dissatisfied when he finds that his orders are not filled completely and transferring his business to some other concern in hopes of receiving better service. For the foundation stone of selling goods is not price, but good service, as will be shown later on. If the matter of minimum quantities is watched closely the chance of shortages is materially reduced, since opportunity is thus given the Merchandise Department to prevent shortages by ordering goods promptly when the Low Report is received from the Stock Department. The weakness in the plan is that which pervades every department of human existence, viz., the carelessness, the indifference, the thoughtlessness and the superficiality of human nature. In most wholesale houses the stock clerks who "work orders" (that is, get out goods to be shipped on orders) are supposed to report shortages of goods in the bins as they discover them in the routine of their duty. This is more or less automatic, as naturally the shortage must be reflected in the absence of the goods which are short on the order, or "bill" as it is termed, which the stock clerk is working. But a case may occur where the

stock clerk takes all the goods in the bin to fill exactly the order he is working, and leaves there a shortage which he fails to report so long as his order is satisfied. As a rule, the stock clerk works under pressure, as his efficiency and consequent chance of promotion and higher salary is based upon the volume of goods he gets out. His interest, therefore, is in getting out many orders and not in reporting shortages. Discovering and reporting shortages is also a part of the duty of the head stock man on each floor of the building. But in spite of these systems, shortages will often not be reported promptly because nothing in the regular routine of business brings them to the attention of the Stock Department, and thus valuable time is lost in replacing the goods.

The most efficient method of proper care of stock in all the details that relate to merchandising is by close coöperation between the Stock and Merchandise Departments in such fashion that the Stock Department realizes that it shares equally with the Merchandise Department the responsibility of keeping up the stock in such measure, as far as humanly possible, that orders may be filled promptly and completely.

CHAPTER V

ORDERING—REGULAR GOODS

The first requisites of ordering in merchandising are accurate and intelligible records, which show the stock on hand and the sales of every article in stock at stated intervals throughout the year. There are various systems which produce these results, but the most effective are those which combine all this necessary information in a short space so that it can be seen and comprehended at a glance.

The real value of all systems in business consists in their simplicity and economy, and not in their complexity. Most systems unfortunately essay to convey too much information and are consequently confusing rather than helpful. The most effective system in ordering is that which tells on a card, or the page of a book, what the stock on hand is on certain specified dates; what are the sales of the article in question between those dates; where goods were ordered and in what quantity: and whether the goods so ordered have been shipped. Entries of stock on hand on such records naturally vary as to the frequency of their entry accord-

ing to the nature of the goods, but they should always be made as nearly as possible on the same dates each year, that the comparisons of sales from period to period may thus be absolute. Staple goods, namely, those which are bought and sold in large quantities, should be entered on the records oftener than those which are comparatively small sellers. In the former case it is much easier and more intelligible to order moderately and for goods as needed, by ordering frequently. Thus, also by close and constant watching there is less danger of accumulating overstocks. In the latter case, that of slow selling goods, it is quite sufficient and more economical to order at longer intervals and thus save the expense and labor of taking accounts of stock and of clerical work.

There should be a regular schedule arranged for the entire year as to when each line of goods and each article shall be entered. Both Stock and Merchandise Departments should have this schedule constantly before them, and see that it is strictly adhered to. Staple goods do not need to be entered on this record oftener than once every 30 days, while on slow selling goods once every 60 to 90 days is usually sufficient. These rules apply to goods such as are in demand more or less all the year around. The story of seasonable goods, or

those which sell only at certain seasons, is a different one, and will form the subject of a separate chapter.

The principle of the record is very simple. It shows that on certain set periods of each year there were certain quantities of stocks on hand of all the various articles carried in stock; that between the periods there were certain quantities of these same articles ordered and received. If to the amount on hand at one period there be added the amounts received into stock between this period and the next succeeding period, and there be deducted therefrom the amount on hand (or in stock) on this next succeeding period, there will be shown the sales between these two periods. It, therefore, is very simple when ordering goods at any one period to refer to the same period for a number of years past as a guide for the quantities to be ordered for the coming period, since the sales for that particular period are shown in the records of the past. This record must also show all goods previously ordered which have been shipped and not yet received in stock, or which have not yet been shipped and are still due, since both of these quantities figure in the amount needed for the next succeeding period. If, for instance, the sales records indicate that 800 dozen of any one article are needed for the next succeeding period, and there are

200 dozen of this article in stock, 200 dozen in transit (or "on the road," as it is usually called) and 200 dozen ordered from the manufacturer and not yet shipped and still due, it is obvious that it is only necessary to place an additional order for 200 dozen. These records are easily kept up, though they require that this be carefully done to insure their full efficacy. They are absolutely invaluable in ordering, but must be accompanied by intelligent thought and study, or else they may prove seriously misleading and consequently very expensive.

In a large wholesale distributing organization there is usually such a large stock of merchandise on hand, of such varied assortment, embracing so many different and varied articles, that some of them are constantly being affected, both in demand and supply, by the thousand and one things which occur daily in the social and political, as well as in the economic world. This has been made most manifest by the European War, which in many ways upset all previous conditions in commercial life, because of a profound and far reaching influence exerted in many instances on the most apparently insignificant articles of merchandise in daily use. He, who is in charge of merchandising, should therefore possess both analytical ability and vision; the

power and insight to analyze each problem and every article in merchandising, and the vision to see its likelihoods and possibilities, for ordering goods is far from being the dull, prosaic drudgery which it is usually accounted. Instead, it is an extraordinarily complex and interesting matter and a liberal education when properly comprehended. To be done accurately and efficiently it needs constant thought and study, and consequently demands for its full accomplishment that trained mind which is the best product of education. In every case when ordering there should be in the beginning an answer made to the following queries: what is the article to be ordered used for, by whom and under what conditions? How is its use affected by the weather, by changes in public taste and in education, by the price at which it is sold, and by the introduction of other similar articles? Can it be readily had for shipment from the manufacturers? Will a more or less long delay occur? Will it be delayed in transit, or will prompt delivery be made? Is the purpose for which it is being used going out of fashion; and if so, from what cause? Is it essentially suitable for the purpose for which it is intended, or is it a temporary matter with only brief life for its portion?

How these and other vital and incidental questions which occur in ordering may be answered is best illus-

trated by concrete examples. The first supposititious case is that of a certain blue and white enameled ware to be ordered at the present time. This general style of household wares is largely the product of comparatively recent time, but has grown greatly in favor and general use. It is a household affair, and used largely in the kitchen and consequently by women. It comprises a great many articles and a large assortment of many different items and of many different sizes. It shares its use with all other varieties of enamel ware, and all other wares used for similar purposes. The question of ordering therefore brings up not only its own likelihoods and possibilities in the way of future sales, but likewise those of all its competitors, as affecting its own future sales, since all these matters must be taken into account in considering the amount to be ordered. The sales records give the figures of sales not only for the succeeding period of last year and other years, but also the periods of the present year, so that the problem then becomes one of an examination of such records to note any falling off or increase in sales, and also what an intelligent analysis of the present situation indicates as to the future. It will be readily seen then that this procedure must take into account the examination and tendency of the future sales of all the various wares, enameled and otherwise,

which are used for the same purpose as blue and white.

The first question is the extent to which the demand among the different household wares will be affected by each other. Among the earliest varieties of enameled ware was gray colored ware, serviceable and comparatively cheap, so that it came to be in general use among the poorer classes, or those to whom economy in such matters is all important. It can be set down as an axiom in merchandising that there will always be a large and steady demand from the great mass of consumers for articles of this nature, because of their low price and efficiency. They may not be attractive in appearance, but so long as they satisfactorily fill the purpose intended, they will be in constant demand. The two factors which adversely affect their sales are deterioration in quality or a serious advance in price. The first case gives contradiction to the rather universal impression not only among the merchants, but among economists, that the cheapness alone of an article is the most convincing factor in its sale. This impression is distinctly erroneous in any article which is a matter of daily use. The common sense of the consumer soon perceives that a cheap article which does not sufficiently wear or endure is not cheap after all, because it requires such constant re-

plenishment. It has been well said by an exceedingly shrewd business man of great experience and keen insight that "The recollection of quality remains long after the price is forgotten." The real truth is that the compelling reason for the purchase of such cheap commodities as have low prices for their principal attraction is the comparative lack of funds on the part of most of the buyers of such goods, so that they are unable to pay for more expensive articles.

The second consideration, that of an enhancement in price, is usually a serious handicap to the sale of this class of articles. For then the thought of the buyer turns to somthing cheaper that will serve his purpose equally well. In this particular instance such thought shifts entirely away from the line of enamel wares to that of tin ware. Tin ware constitutes a large and varied line, and is probably the most democratic and generally used of all wares, although during the past quarter of a century its use has been largely trenched upon by the growing demand for enameled ware. The reason for this is partly physical, partly psychological.

In the severe "cut throat" competition which for many years prevailed between the manufacturers of tin ware there inevitably ensued that short-sighted and fatal mistake of deterioration in quality, which usually marks and

distinguishes such commerical warfare. The natural consequence was the shifting of a large class of consumers to better grades and qualities of other wares, notably enameled wares, which not only gave satisfaction in use but were attractive in appearance. This latter is something which is rarely true of tin ware, since its shiny and unfinished appearance is not prepossessing. So obvious did the serious and far reaching effects of the deterioration in tin ware become to the manufacturers that some of the wiser and far-seeing ones made and advertised a higher grade of tin ware, of heavier material, better and more abundantly tinned, and thereby established a large and permanent trade, though the prices of such a grade of goods were appreciably higher than those of the depreciated articles. The psychological problem involved is one not generally recognized, usually for lack of intelligent analysis, but is none the less important. In fact the mental side of buying and selling is often as important and compelling as the physical facts involved.

As before stated tin ware is essentially an elemental and democratic commodity. It was the natural accompaniment of pioneer life in this country, because of its wearing and enduring qualities. Likewise it finds great use among the poorer classes to-day, with whom ready money

is scarce, and to whom appearances in such matters are a minor consideration. Its use in any part of the country can be predicated in advance by a knowledge of the habits, tendency of thought, traditions, customs and modes of living of the people. Its use in the East is proportionally small, and this percentage of use compared to other wares increases progressively as you go West and South. It is much used among the negroes in the South and among the poorer classes of farmers in the West. Yet in the Great Plains States, Kansas, Nebraska, and Oklahoma, as examples, the use is very large even among the better educated and comparatively well to do. Nor is the reason far to seek. The inhabitants of these states are not only unusually educated and intelligent on the whole, but they are entirely devoid of that affectation and loss of simplicity which unfortunately often accompanies the acquirement of knowledge. They are most elemental and direct in all their ways of thought, and are characterized by a breadth and scope of mental horizon, which is in keeping with and is largely the product of their physical environments. Appearance with them counts for but little compared with intrinsic merit. Thus any study of the mental peculiarities of a people forecasts largely in what direction their material wants are likely to tend. So tin ware, when of good quality,

appeals to them because of its simplicity, economy and serviceability. The story of tin ware, therefore, points the way to an intelligent study and analysis of the ways, manners and mental attitude of the people of any section as to the kind of goods they are likely to use.

The study of comparative prices discloses at once that if the cheapest form of enameled ware has advanced in price, those of tin ware have done likewise and that the proportion of cost between them remains much the same. Under these conditions experience shows that there will be comparatively small shifting of demand from the higher priced to the cheaper line of goods.

The next problem as to how the various enameled wares in the future will sell compared with each other is that of choice of colors, as this is of equal importance between them as compared with prices. The solution to this problem lies in the fact that the users are largely women. Now it is a matter of common knowledge and experience that on the whole women possess a truer and more instinctive sense of the harmony of colors than men, all theoretical psychologists to the contrary notwithstanding. It is not surprising, therefore, that the sales in general of blue and white enameled ware are larger than

those of any other color or combination of colors. And the compelling reasons for this seem to be not alone the natural association of white and blue in harmonious blending, but the fact that most women possess a set of blue and white china and like things "to match." In defiance and apparent ignorance of the fact that the woman's taste in colors was the principal factor to be consulted in this matter there have been essayed at times new combinations of incongruous colors in enameled ware, combinations that in feminine phrase "screamed at each other," so utterly did they refuse to blend. Patterns of this description were inevitably failures from the beginning and the unfortunate manufacturers never realized why, nor were conscious of their lack of insight and perception. It must be remembered, however, that good taste is a progressive affair and a matter of education, and that a generation which knows much cultivation demands something more picturesque than the simple combinations of colors, such as blue and white. Hence there arose new combinations of two or more colors, not sharply defined nor mottled, but gradually shading into each other. It was obvious from the beginning that there would be some demand for such colored wares, but it was not a difficult forecast for those who ordered these goods to do so in moderation,

without danger of overstocking (being careful not to get overstocked), because any intelligent analysis of the situation brought our two fundamental facts—one, that those who desire something more picturesque and striking are necessarily much in the minority compared to the many who prefer homelier and simpler combinations. The other analysis discloses the elemental fact that in the things of life that are in daily practical use among the many it is not safe to attempt to carry the matter of decoration and picturesqueness to the same degree that is befitting articles of luxury, whose intrinsic value does not lie so much in their practicality as in their appearance. The furniture and belongings of a kitchen are not intended to be so appealing as those of the dining room and to attempt to make them so is apt to create in time a weariness of their very picturesqueness.

Hence the practical conclusion as to the comparative quantities to be ordered of blue and white and of the "shaded" wares is that while the shaded wares have a place of their own, it is one of less importance and not so popular as the less pretentious blue and white. Still another and comparatively new factor arises in the ordering of what is known as white and white enameled ware, that is, a ware that is white both on the outside

as well as on the inside, since the blue and white shaded wares are colored on the outside, and are white only on the inside. This subject will be treated in the next chapter.

CHAPTER VI

ORDERING—REGULAR OR STAPLE GOODS, CONTINUED

For a number of years the sale of white and white ware had a checkered career in this country. Most of it was imported, as it is difficult and expensive to make because of the large proportion of "seconds" or imperfect goods. This is due to the fact that all stains or discolorations or flaws of any character show very plainly upon the outside white surface, and the goods so affected cannot be sold as first class articles. This high cost limited their use to a comparatively narrow range of demand. The dominant factor in such demand was largely psychological and based upon their cleanly and sanitary appearance. The fact that any defect or discoloration could not be hidden was constant testimony as to the thoroughness of the manufacture and to careful inspection. Naturally these wares found ready reception in hospitals, sick rooms, and all places where their high grade appealed to the more intelligent taste. They were sold largely on their merit, rather than on their price, and not being used by all people for all purposes, the assortment was naturally smaller and for comparatively

few uses. Save in the hands of careful housewives, their discoloration when used for stove purposes often became such as militated against their general use for such purposes. The problem then became an understanding of their natural limitations as to use, since to order such items as are not likely to sell save spasmodically is to accumulate useless and dead stock. Furthermore, because in the past, they were largely imported, it became necessary to anticipate wants further in advance, so that orders for them had to be given in larger quantities, and with a longer time allowed for filling and receiving them than in the case of domestic goods.

In such cases there naturally cannot be the same turnover of stock as on domestic goods, and therefore this relative loss in money making capacity must if possible be recompensed by a greater percentage of gross profit.

The problem of their future sales whether greater or less than in the past, becomes simply one of the increase of good taste and the spread of ideas and habits of sanitation in this country. In other words, they are one of the many evidences to be found in merchandising of the steady growth of education and intelligence among the people and, consequently, it is entirely safe to predicate the increasing use of these goods within certain limitations.

Of an entirely different character and for an entirely different reason is the use of nickel-plated on copper ware, and yet the basis of this use is also largely psychological. It is true that the ware is substantial and enduring, but that is not the only compelling cause of its employment. That cause is to be found largely in the tastes and fancy of modern civilization—in the "swell" hotel and restaurant life of the great cities, in the afternoon teas, and midnight suppers of fashionable and would-be fashionable society, in shapes of the articles, sometimes quaint, sometimes graceful, sometimes grotesque. Its various vessels appeal equally to the bizarre and the artistic in human nature. Its comparatively high price and its very appearance bars it from use by the hydra-headed many. It does not lend itself to universal use for kitchen and household purposes, but rather to the things of the table, the elegancies of coffee and teapots, of casseroles, and chafing dishes, of trays and samovars.

Moreover, anything nickel-plated, to be presentable, has to be constantly polished, and the busy housewife is not seeking any extra labor in that direction. Books, poems, and essays, always written by men, tell of the industrious housewife delighting in the toil of constantly polishing all household utensils and keeping

them immaculately clean. This sentimentality may have passed muster in the Mid-Victorian period, but we know to-day that women dislike useless drudgery as much as men and gladly seek means of escape from such vain labor. This is easily apparent in the steadily growing sale of all those various labor saving devices in household affairs, which have done so much to make the housewife's job more tolerable.

The story, therefore, is one of careful watching of the various styles of the more ornamental items of nickel-plated ware, since nothing is more fickle and unreasoning than the tastes and fancies of those to whom "style" in anything is an important characteristic. On the other hand, there will probably always be a steady demand for the staple items, because they serve a useful and enduring purpose. Naturally enough, however, the demand for this class of goods was much curtailed by the abnormally high prices which prevailed among them as one of the effects of the European War. This is a problem which constantly confronts the orderer of goods as to the opposite effects of low and high prices upon the demand for different articles.

It is perfectly true as a general statement that low prices increase consumption and high prices curtail it, but like all generalities such a statement is often mis-

leading, and the only safe course is to analyze all the conditions surrounding each particular article. As a matter of experience eras of high prices are always those of great demand, while the prevalence of low prices is invariably coincident with much curtailment of business activities. The answer to this apparently contradictory statement is that demand and supply are practically the controlling factors in price fluctuations. It is the demand which causes high prices. Equally is it the lack of demand which causes low prices. There is likewise the element of speculation in times of advancing prices, when merchants buy not only for their wants, but also that they may reap a profit from the appreciating prices. In such a condition the surest way to check the business activity which causes prices to rise, and which consequently stimulates production, is to reduce prices. This invariably marks the end of a "boom" period, and the result is at once a cessation of all buying save for absolute necessities. The buying attitude on the part of the merchant becomes that of caution. He hesitates to purchase, lest he find a lower price prevailing before he disposes of the goods thus purchased. So the situation drifts steadily downward because of general caution and lack of confidence in the future, until the bottom is reached and this point is characterized by

a plentiful lack of buying power in general and the almost universal opinion that still lower figures portend. Yet in normal times, when there is no decided general drift of prices, low prices as a rule increase demand, while high prices have the opposite effect. This is an important fact in merchandising, which will be treated at more length in the chapter on Selling.

The consideration of the final variety of household wares—Aluminum ware—has many analogies to white and white ware, in that one of its principal appeals lies in its sanitary and cleanly appearance. Added to this is its extreme lightness combined with great strength. There was originally a generally prevalent idea that it would not discolor or oxidize, which of course is not true of any metal, since oxidation in metals differs in degree and not in kind. This oxidation and discoloration in aluminum ware is but slight, yet when fully realized exercises a somewhat unfavorable effect upon the users. The exceedingly high price which this ware attained during the European War was also a deterrent upon its sales for the time being. A feature of this ware, which is common to most merchandise, is the value to the merchant of an advertised line as one easily sold, because better known.

In ordering such lines there has always to be borne

in mind that while liberal orders can safely be made for them while the advertising campaign continues and thus furnishes a stimulant to demand, experience shows that demand will begin to fall off perceptibly if the advertising be discontinued. This will be treated more fully in the chapter on Advertising.

The conclusion about ordering aluminum ware is much the same as to white and white ware and for much the same reason, only that it has a much more extended and varied use, and will probably grow faster and in general favor.

Reverting to some of the other elements of the suppositious order, which is to be placed for blue and white ware, there arises the question as to the ease or difficulty of getting prompt and complete shipments. The answer to this involves a knowledge of the facts that before the European War there was much enameled ware imported from Europe, and that such importations have practically ceased, thus casting the burden of supplying this demand entirely upon the American manufacturers, that the latter have had great difficulty in procuring adequate machinery and material for new buildings where they desired to enlarge their plants; also that the scarcity of labor has largely prevented such additions to their productive capacity; that they have

experienced much trouble and delay in procuring adequate supplies of sheet steel, which furnishes the body of the utensils on which the enameling is then coated; that the railroads in general, because of inadequate facilities and insufficient equipment, and because of the great congestion of traffic, have been unable to furnish cars promptly to manufacturers, or to transport them, when loaded, expeditiously to their destinations. It is evident, therefore, under these conditions that the shipments of enameled ware by the factories will be much delayed, as will also their receipt when once shipped. It, therefore, is the part of wisdom to place as liberal orders as the previous sales indicate to be proper and for immediate shipment, and for a longer period in advance than if the conditions were such that prompt and complete shipments could be expected from manufacturers and quick transportation by the railroads. Nor must there be an unreasoning placing of such orders on the exact basis of sales for any comparative period, either in the near or distant past. For there must be an intelligent analysis of the general business conditions existing at the time the order is placed, and those in the past which have been selected for purposes of comparison, and the orders must be greater or less, according as to whether the present business con-

dition and outlook is better or worse than in times preceding. This implies the possession of such knowledge as makes the comparison of genuine value. There must also be an intelligent study of the conditions and likelihoods surrounding each individual item in the line of blue and white enameled ware which is being ordered.

It will be found as a matter of general observation that cups are more and more being used in place of dippers, probably because cups are handier and do not occupy so much space. It will be noted that stove furniture articles used in connection with Number 7 cook stoves shows a steady decrease from year to year. This is caused by the fact that Number 7 stoves are the small size and not so convenient and comprehensive in their service and possibilities as the larger sizes, Numbers 8 and 9. Consequently, because of the growth of the country in wealth and its consequent general desire for better things, the small stove, restricted in its service possibilities, is being replaced by the larger and more efficient stoves. In such cases, however, ordering the Number 7 stove furniture must not be on the basis of the decreasing proportion of sales shown in the past, but on a much smaller ratio. The reason for this is that fewer and fewer Number 7 stoves are being made each year and that much of the demand for

Number 7 stove furniture comes from old stoves already in existence, and that when those stoves are used up the great majority of them will be replaced with the larger numbers.

It is an axiom in merchandising when an article begins to go out of use that the part of wisdom is to order it more and more sparingly as it approaches its final dissolution, and thus to anticipate its end, and not be finally caught with a large stock of unsalable goods on hand. It must also be learned in what section there still persists a demand in this case for this small sized stove. The result as ascertained indicates the South and the immediate answer is that it is only a question of a short time when there will be but few of these stoves made or used. The reason for its use in the South tells in a few words the history of that section. Stricken and impoverished by the war and the ensuing Reconstruction, its buying power for many years was confined to the cheapest and most necessary things of life. Moreover, this was accentuated by the presence of a vast number of negroes, whose wants were the simplest. The Number 7 stove instance also points to the curious fact that apparently because of inherent conservatism the use of certain articles, called "old fashioned" for lack of a better name, perseveres in certain districts,

notably portions of the South, the Philadelpha district, some sections of the Appalachian Mountains and some of the rural districts in New England, long after they have died out in other parts of the country. Consequently this must be considered in ordering so long as this use continues. In this instance, it is an easy prophecy that the day of tradition and conservatism in economic matters is fast passing in the South, because of the great advancement of that section in wealth and development, and this fact must also be taken into account in ordering "old fashioned" goods, formerly much in favor in that part of our country.

This same study must be given to each article in the long line of blue and white enameled ware before the order can be intelligently placed. It will be seen from what has gone before that the ordering of so apparently insignificant a matter as a pattern and style of household utensils involves a far reaching and comprehensive study of many matters. Such a conclusion is not the result of a single sitting, but the gradual evolution of experience and study. Most of all it is the consequence of a constructive analysis which endeavors to exhaust the possibilities of each situation by the processes of induction and deduction. In time the application of such results to the problem in hand of ordering becomes as

ready and instantaneous as the deft handling of a difficult operation by the skilled surgeon. Moreover, every line of goods in every business offers the same opportunity, in more or less degree, for like intelligent analysis and study.

CHAPTER VII

ORDERING—SEASONABLE GOODS

All the phases of ordering regular goods and many more besides are found in seasonable goods, because of the peculiar nature of the goods themselves. Seasonable goods are those which are used entirely, or largely, at certain seasons of the year. In the last analysis the reason why they are seasonable and in demand being due to the weather prevailing at such seasons.

Lawn mowers are used in spring and summer, because warm weather and spring showers cause the grass to show. Tennis goods are used in spring, summer and fall, because the severity of winter usually puts an end to this form of exercise. The selling, buying and ordering of these goods, however, far antedates their use, for between their manufacture, distribution, and use by the consumer a long period of many months necessarily elapses. No sooner does one season end than preparations for another commence. This and all succeeding actions are best illustrated by concrete examples of what are known in the hardware business as "Plow Goods" and "Steel Goods" which broadly comprehend

those hand agricultural tools, implements and necessary appurtenances, such for example as scythe stones for sharpening scythes, used in the planting, cultivation and harvesting of the crops. The season for the use of these goods varies, first according to latitude and secondly according to the nature of the goods.

Cotton hoes are used in the far South late in February, while hay forks are used in Northern latitudes as late as August. The season however for the sale of all these articles is practically over in August, and manufacturers from that time on make preparations for the coming season by presenting to the jobbers a schedule of prices and terms on all lines of these goods. There is usually a contract entered into between the manufacturer and jobber, not only as to prices, which generally prevail unchanged throughout the coming season, but also as to approximate quantities of different items, since the manufacturer endeavors to arrange as far as possible in advance for the disposal of his entire possible output, or else to get some idea as to how many goods it will be necessary for him to produce during the coming season. The jobber's problem is much more complex, for into it there enters not only all the factors affecting the sale and ordering of regular goods but likewise such unknown quantities

as the nature of the weather and the probable price of farm products from six to eight months in the future, all of which must be anticipated and given consideration. The record of past sales is less approximately correct as a guide than in the case of regular goods. For in some items, notably lawn mowers, the sales vary as much as 50% from one season to another because of like variations in the weather. A matter of much moment in this connection is that of "terms and datings."

It is necessary for the manufacturer to make seasonable goods many months in advance of their actual use by the consumer. The jobber (or wholesaler) in turn must have them in stock next, in order that he may sell to the retail dealer in time for the latter to have them on hand for the consumer when the proper season for their use comes around. Practically no manufacturer can afford the warehouse space necessary for the storage of agricultural implements and plow goods and similar bulky goods, from the time he commences their manufacture in early summer until they are put into use the next spring. So he ships the goods to the various wholesalers in these lines, beginning in early fall and continuing into early winter, thus distributing their storage over a large time and area. The jobber accepts the goods only with the understanding that he does not have to pay for them

when received, and thus avoids having his capital locked up unproductively until the time comes for him to sell the goods to the retailer. He realizes, moreover, that the prime object is to get the goods early so as to be sure to have them when needed. The manufacturer therefore gives the jobber what are known as special terms and datings. They vary greatly in different branches of business, according to the nature of the goods and prevailing custom. One of the simplest, as related to hand agricultural implements, is that the goods shall be shipped during the fall and early winter, but shall not be payable until the following March or April, or May, as the case may be. The wholesalers then shift the burden of storage and of financial responsibility to the retail dealers by giving them practically the same terms and datings as the wholesalers receive from the manufacturers. The retailers, however, do not take the goods from the jobbers until late fall and into early spring. The wholesaler can afford to order these goods, under the terms and datings, for earlier shipment and in larger quantities than if he paid cash for them when received, and thus bought them in the regular way. From the time shipments commence until the bills fall due in the following spring, there is no expenditure of capital involved and the only "carrying charges," as they are called, are those of in-

surance, rent and taxes for in such cases because of the short period, depreciation in the quality of the goods is a negligible quantity.

Among the seasonable goods earliest used by the consumer are cotton hoes, for cultivating cotton. They are consequently ordered earlier by both jobber and retailer than those implements, whose use comes later in the year. Their sale depends primarily upon the probable amount of acreage which will be planted to cotton during the coming spring. For it must be remembered that this supposititious order is being placed by the jobber in August, or six months before the goods are to be used. The acreage likely to be devoted to cotton will naturally depend upon the probable demand, not only when cotton is planted, but also when it is picked and marketed many months later, or practically a year and even later from the time when the order for cotton hoes is placed. Any large prospective demand for cotton naturally creates a good price for it when the demand materializes, and this is the compelling cause which induces the farmers to plant a large acreage of cotton in the spring. The fluctuations in the amount of acreage devoted to cotton year by year received striking illustrations within the past ten years as the price of cotton rose or declined. The invasion of the boll weevil caused much less cotton

to be planted, and this tendency reached its lowest ebb in the spring of 1915 when the European war shut off a large export demand for cotton, and the resulting acreage planted in the spring of 1915 was the smallest in many years. Consequently orders for cotton hoes placed in the late summer and fall of 1914 recognized this easily perceived tendency and were correspondingly reduced in quantity. The steady rise in the price of cotton during 1915 clearly presaged a larger acreage in the spring of 1916, and therefore called for larger anticipatory orders for cotton hoes. This rising price of cotton continued during 1916 and 1917, with consequent increased use of cotton hoes as a result of a larger planting of cotton. At this writing, September, 1917, the problem of the amount of cotton hoes is exceedingly simple, there being no doubt that the acreage to be planted in cotton in the spring of 1918 will be unusually large, thus calling for a very large use of cotton hoes. Cotton is now selling at very high figures, because of two short crops in succession. It is very certain that the present growing crop will not be more than one of moderate yield in any event. If the war continues, the situation will remain practically unaltered as affecting the price of cotton. If peace comes, the price of cotton will probably reach unprecedentedly high figures, because of the reopening of old export

channels, and consequently a large demand from those European nations who were unable to obtain cotton during the war. These facts are constantly present in the minds of the farmers, who therefore will be eager to take advantage of an unusual opportunity for profit by raising as much cotton as possible. It will be seen, therefore, that the amount of cotton hoes to be ordered in advance demands for its intelligent determination a careful study of all the world wide factors affecting the price of cotton, and likewise the probable trend of these factors during the six months and more to come.

It will be thus apparent as a broad principle that the demand for agricultural implements used in the great staple products is largely affected by the price of these products, and whether such prices are remunerative or otherwise to the farmers. One of the distinctions in hoes is that most of them are sold complete with handles, while a small minority—used mostly in the South and Latin-American countries—are without handles, and are generally known as eye hoes. In ordering the latter, study and investigation reveal the fact that they are an inheritance from the crude ways of the past, when the user of the hoe preferred to "handle" his own hoe. Obviously an "unhandy" matter of this kind must give way to the convenience and simplicity of

the handled hoe, and consequently in ordering eye hoes, the records of past sales are not a safe guide, unless the orderer always bears in mind the facts of the situation, and each year orders a smaller proportion then the year before. In a case of this kind, there finally comes a time when it becomes wise to "close out" such goods, as the trade phrase goes, by ceasing to order them, and by disposing of those on hand. It is very expensive to be caught with a large stock of goods of this nature on hand when the demand for them has fallen to small proportions, since the sale has to be forced and the goods sold at any price that can be obtained for them. The farsighted policy consists therefore in anticipating the inevitable and "closing out" such goods while opportunity still offers, rather than waiting for them to die a natural death. It is an axiom of good merchandising to take such losses early, for the longer the merchant waits the more difficult it is to dispose of such articles, and the severer the loss.

One feature of ordering seasonable goods is of the utmost importance to the jobber, but is often overlooked. It consists in learning as the extent of unsold stocks of seasonable goods in the hands of the retailers, which were carried over from the previous season. For to the extent that the retailers have such goods, to that ex-

tent they will not make purchases of new goods for the coming season. If for instance, for any cause, there is at present a large stock of cotton hoes in the hands of retailers, which they bought for last season's business and failed to dispose of, then they will buy a correspondingly smaller number of cotton hoes for the coming season than if they had not carried over any at all. This fact brings up another in its train. The prospective sale of goods which does not eventuate because of unfavorable weather during a portion of the season, practically never takes place, no matter how favorable the season may be. In the language of the trade, it is "water over the dam" and is lost for that season. If for instance the month of May is so very dry that the sale of lawn mowers is restricted accordingly, that restricted sale will not be made up to any extent no matter how wet and favorable June may be. The dealer who orders his goods on a basis of merely delayed sales will be apt to have them on his hands at the end of the season.

Among hand agricultural implements, which illustrate two interesting phases of ordering in seasonable goods, are grain scythes. The principal factors in their case are the weather and their growing disuse. Taking the latter phase first, they are steadily being supplanted by the reaping machine until their use is largely one of

very small farms, and certain conditions of weather, such as rainfall during harvesting. In ordering, their growing disuse must be taken into account by a lessening proportion of quantities. The weather would seem to be an insoluble problem, seeing that the United States Weather Bureau does not attempt to forecast weather conditions beyond a week's time, and in this latter case only in a tentative and approximate way. All would-be prophets who confidently foretell the details of the weather months in advance are mere conscienceless fakirs, trading on the credulity and ignorance of human nature. Yet in the ordering of goods in the August of one year to be used from the spring to the summer of the next year, the weather plays an imporant part in the use of these goods, and as long therefore as the quantities of goods in these orders are based largely upon the weather, there should be some intelligent effort to approximately forecast such weather, at least within the bounds of probability. Such an effort in the first instance necessitates a careful study of weather records for a period of fifty years back, as that seems to be the cycle, roughly speaking, in which all phases of weather occur with uncertain, yet relentless irregularity. This study dispels the prevalent yet erroneous impression of a permanent change in climatic conditions during any

period of human history. Both geology and astronomy tell of a steady though imperceptible change in the weather as one of the phases of our earth's existence, but it is so slow as to be inappreciable in recorded time. This study also develops the natural, though generally unnoticed tendency, common to all things in nature, of similar kinds of weather to flock together. It is much the story of the dream interpreted by Joseph in the Old Testament of the seven lean years followed by seven fat years. In certain sections of the West it can be foretold with a fair degree of certainty that there will not be more than three years of dry weather, nor more than two years of wet weather in succession, though this rule is not invariable. It also develops in certain other sections if the June rains continue along well into the early part of July, that the danger of a severe prolonged drought is remote; while on the contrary should they cease early in July, the likelihood is for a succeeding long, dry, hot spell. Again, though wet years are apt to be associated, as are dry years, in such years there is much variation in the amount and quantity of the wetness and the dryness. If for instance in North latitude 40° in the Middle West there was unusual precipitation during the harvesting of winter wheat in one year, the strong prob-

abilities are that it will be in much less amount the next season. This fact has for instance to be taken into account in the amount of grain scythes to be ordered.

An actual happening in the matter of another line of seasonable goods, ice cream freezers, illustrates another phase of the problem. A few years ago a drought commenced early in July, when the spring rains ceased, and continued well into August, being very hot and dry throughout the greater part of both months. The consequence was an unusually heavy and late sale of ice cream freezers far into August, when generally the season for them is over by August 1st. Next year was also a dry year, but the drought commenced early in May in the latitude in question. From experience and study of the weather records the orderer of ice cream freezers was able to forecast with great definiteness that the sales of ice cream freezers would be much earlier than the preceding season, and would cease much sooner, as the rains which in the previous years came in September would this year probably come early in August, consequently the sales records of heavy sales of ice cream freezers in August must be disregarded entirely this season. The facts bore out faithfully the truth of his forecast. It was merely a case of shifting the time of the drought of which the dry May gave him timely

warning. The same orderer was also able to forecast a much larger sale of corn knives—another seasonable article, because of this same experience with the weather happenings.

Corn knives are used to cut corn, generally before it matures and for the purpose of using the stalk, ears, leaves and all as feed for livestock, instead of utilizing only the grain on the ears as is generally done. It is also frequently cut when a drought threatens to be unduly prolonged, and prevent the corn from coming to maturity. Consequently corn knives are used more in dry than in wet summers. The factor of weather, however, is not the only one, nor the one of most moment in the use of corn knives, and correct and intelligent ordering of these simple implements is a salient example of the necessity of the orderer keeping posted in all the progressive matters relating to the goods he orders. Of late years, corn is being largely cut by machinery in the shape of a corn binder, which is more effective and more economical than doing this work of cutting and binding by hand. The use of corn knives is thus gradually being curtailed. Other factors in the use of corn knives are the growing use of silos, where the entire corn plant is cut up and packed into the silo as feed for livestock during the winter, thus saving the waste which results

from allowing the plant to die and dry up in the field, leaving only the grain as feed. The use of silos consequently increases the practice of cutting corn, and thus to some extent the use of corn knives.

Another factor is the yield of hay. When hay is cheap and plentiful, corn is not cut so freely, because the other principal food for livestock—hay— makes this cutting of corn less necessary. When the hay crop is short, then recourse is had to corn cutting to supply the deficiency. It will thus be seen that the intelligent ordering of comparatively unimportant implements, such as corn knives, implies the study and knowledge of certain weather conditions, agricultural conditions, and industrial conditions as expressed in farm machinery.

The ordering of refrigerators, or ice boxes, or chests, as they are often called, is primarily dependent upon the weather, and in the respect of seasons they are strongly akin to ice cream freezers, though their season is somewhat longer, and they sell in a scattered way all through the year. As in the case of ice cream freezers the demand for them is greatest in hot, dry weather, and least in cool, wet weather, so that orders placed far in advance of their actual use must forecast as far as possible the likelihood of the coming summer. Not so long ago the character of the weather in the winter

preceding their use was a vital factor in their use. If the winter was cold and ice plentiful, and consequently cheap, the demand for refrigerators during the coming summer was consequently increased. If, however, the winter was open or the snowfall so heavy that the gathering of natural ice was accordingly hampered, the use of refrigerators was more or less restricted by the ensuing high price of ice. This factor has become one of diminishing importance, since the great and growing output of artificial ice. As they are receptacles and storage places for a brief time for food, the factor of sanitation is an important one in their use and demand. When the white tiled and white inside painted refrigerators came into vogue, it was evident to the intelligent orderer that the appeal of cleanly and sanitary appearance in the new style refrigerators would bring them into general favor, as compared with the older styles lacking in such an appeal, and he changed the proportion of his orders accordingly.

The use of screen wire cloth is based largely to-day on this appeal to modern sanitary instincts. It is not alone the relief from the annoyance of insects, which the use of this article brings, but the cultivated instinct that we are also avoiding a serious danger by excluding the germ-bearing fly and mosquito. When it was dem-

onstrated beyond question that the mosquito was the sole method of transmission of malaria and yellow fever, then it was at once apparent to the intelligent orderer, who was using his head, that the use of screen wire cloth must increase and multiply in the South of all sections, because there swamps are most abundant, and protection from malarial diseases most needed. It was further evident, therefore, that it was an article whose use must grow from year to year, as the ideas of sanitation and hygiene became more widespread, and he must place his orders on this basis.

The correct ordering of steel traps, another line of seasonable goods, involves not only a study of the weather, and of natural history, but most intricate and difficult of all, of the tastes and fancies of womankind in the matter of fashions. The uninformed and unthinking orderer will naturally conclude that as steel traps are principally used for catching fur-bearing wild animals, that they will gradually decrease in use and sales, because everything he hears and reads is to the effect of the rapid extermination of all wild animals. This belief is one of many prevalent and most misleading impressions, because it is a half truth, the worst form of all false statements. The orderer who investigates finds that the larger fur-bearing animals are in truth becoming rarer

each year, but that this is not true of the smaller quadrupeds, such as musk rats, coons and skunks, which are still very plentiful. He also finds, contrary to all preconceived opinions, that the annual catch of these smaller animals is especially heavy in some of the most thickly settled states of the Middle West. He therefore orders steel traps liberally under favorable conditions, with the full conviction that the extinction of small fur-bearing animals is not forbiddingly imminent. He likewise consults the weather records of the winter just passed, as he places his orders in the Spring for the coming winter's sales. This is for the purpose of noting whether such a winter had much snows and many floods, for in such an event, he knows that many traps were lost, or washed away, and consequently need to be replaced the coming winter. The crucial matter, however, is the price of furs. He learns that professional trappers are not so numerous as amateurs, especially farmer boys, with whom trapping is more or less of a side issue, and who do not trap to any extent unless there is the incentive of profit in the shape of the high price of furs. This price in turn depends upon a demand, whose sustaining force is found in the fancy of women for adornment. The connection is so obvious that it was well illustrated in the case of the head of an ordering department to whom

"two and two made four, not sometimes, but all the time," as the Thinking Machine said, and who consequently went through life noting and applying everything he saw to the business he was engaged in. Early one Spring he noted especially that two out of three women he met on the street wore fur adornments of some description, and that many riders in automobiles had fur coats. He figured out that automobiles were constantly increasing in use, and that fur-coated riders would consequently be more numerous. So he called up a large fur merchant, and asked what was the outlook for the fashion in furs among women during the coming winter. He was told that furs would probably be worn more than ever. It was, therefore, an easy deduction that with a heavy demand, there would ensue high prices, the best incentive to trapping, and consequently that many traps would be used. So he placed larger orders for traps than ever before and had the goods, when his less far-sighted competitors were entirely out of them.

In a similar, yet contrary way, he felt the effect of the great use of automobiles upon another line of seasonable goods.

He realized the sale of hammocks to be steadily decreasing, and was unable to account for it. The two preceding summers had been warm and dry, and the price

of hammocks had not advanced. Walking in the park one summer night the compelling cause in the great procession of automobiles flashed suddenly upon him as an example of how a new industry often affects an old one in a most unexpected manner. So from that day on he began to reduce the size of his orders for hammocks, for riding in automobiles was fast displacing swinging in hammocks. These illustrations are used as analogies, since the same general principles apply to merchandising in all lines of business.

CHAPTER VIII

HOLIDAY GOODS

Holiday or Christmas goods are essentially one form of seasonable goods, only that the matter of the season or weather in determining the demand and sale of these goods is not so much the dominant factor as is the Christmas or holiday tradition and spirit, so that the psychological phase is one of peculiar importance.

Some of the goods, such as skates and sleds, are used in cold weather. But others, such as books, jewelry, toys, high-priced cutlery, carving knives and forks, are used and sold all the year round, though by custom and tradition some of them, as for instance, carving knives and forks, practically have come to be sold almost entirely during the Christmas or holiday season. From the nature of the situation, there can be no hard and fast definition of what constitutes holiday goods. Especially is this true, because many of them, Christmas cards as an example, ebb and flow in popular favor, and are the subjects of changes in popular taste to an extent that makes intelligent ordering of them a very "difficult, and delicate, not to say, danger-

ous operation," as Koko in the Mikado remarked of self-decapitation.

As a rule they are luxuries rather than necessities, and in this respect differ essentially from the regular lines of seasonable goods. As a matter of fact almost anything that can be given as a present, and can be used in cold weather, may be classed under the head of holiday goods.

So far as the sales of the manufacturers to the wholesaler or jobber, and of the jobber to the retailer are concerned, the large volume of such sales is made early in the season, in some cases as far back as the preceding spring. These are known as "futures," and in the case both of the manufacturer and the jobber involve a complete and accurate record of the amount of such sales, that they may be ready for shipment on the dates specified. The manufacturers of ice skates, for example, make contracts with jobbers along in February for shipment in July and August of such skates as the jobbers may specify. The jobber in turn takes orders from his retail customers for shipments in August and later on. He depends upon the manufacturers shipping promptly on dates specified, that he, the jobber, may in turn be able to ship to his own customers, the retailers. Unless this matter is handled intelligently, especially unless the jobber ships promptly to his customers, much

dissatisfaction is apt to be created. The jobber, through his salesmen, solicits future business on ice skates from his customers on the basis that if such orders be placed early with him, say in April and May, for shipment in August and later, he will thereby be enabled to provide himself in advance, because he will then know through the medium of these orders the extent to which he will be required to provide goods sufficient to take care of such orders. He advises his customers, the retailers, when it is the part of wisdom for them to place their orders for ice skates that they may thus follow the example of the April strawberry and be early so as to avoid the jam. He thus tacitly commits himself to take care of such orders in the rotation of their receiption. For instance, he may take 100 orders for shipment of ice skates on August 1st. These orders, however, may have been taken all the way from May to June. It is therefore incumbent upon the jobber to keep such accurate record of the orders, that when the time comes for shipment, the orders taken earliest shall be filled first. This is not so necessary save when there is difficulty in getting sufficient goods at the time required for shipment. As an example, suppose the jobber sells 10,000 pairs of ice skates to his customers for shipment August 1st, but on that date finds that he has received only 9000 pairs

from the manufacturer. Unless he has accurate records of the dates of the different orders given by his customers, he is likely to fill first some of the later instead of the earlier orders, and thus those of his customers who placed their orders the earliest fail to receive that benefit of their forethought, which he tacitly promised should be their portion.

The extreme shortness of the actual holiday or Christmas season renders the merchandising of holiday goods a matter of great difficulty. It is true that a large percentage of the goods are sold earlier in the season on "futures" for later shipment. But there is always a considerable volume of business, or "fill in" orders as they are termed, which must be reckoned with when the season is really on. In many lines this season is scarcely more than three weeks in extent, and the problem then becomes one of supplying this brief but insistent demand, and yet not carrying over too many goods beyond the season, which practically ends abruptly on Christmas day. It is very difficult to get orders filled promptly by the manufacturers during this short period, as they are usually crowded beyond their capacity. The danger lies in allowing the manufacturers to retain the orders so long that they are not shipped until the season is over, and are therefore useless for the original purpose intended. There has always been a division of opinion

among merchants as to the best and most profitable plan of handling seasonable goods towards the end of the season. On the one hand it is held that it pays to carry a fairly good stock to the end of the season even at the risk of carrying over some goods, since the main issue is not to lose sales and the profits which thus accrue, as well as not to disappoint customers who depend upon you to supply their wants in such emergencies. The contrary practice, is to run the stock down to the vanishing point at the end of the season, even at the risk of failing to fill some orders. The argument for this latter procedure is that customers as a rule are conscious of the situation, and do not expect too much at the tail end of the season in the way of getting their orders filled completely. It is argued further that the carrying charges on the goods carried over more than offsets the profit made on the comparatively few sales made when a fairly good stock is kept up till the end of the season. Goods thus carried over are often completely dead stock for from eight to ten months, and are not only subject to interest, rent insurance and taxation charges, but likewise to the chance of depreciation and the risk of decline in price. It is not good merchandising to carry over beyond the season more than 5% in value of the total value of the seasonable goods, sold during the entire season.

It is peculiarly expensive and risky to carry over holiday goods, because of the uncertainty of the demand for them from one season to another. This is especially true of such articles as Christmas cards, toys, gift books, and similar articles. Some of them have the brief span of one or two seasons as their portion in life, and are dead thereafter for all time to come. To carry these goods over at the end of their existence is to lose practically their entire value.

The part which the weather plays in the sale and demand of holiday goods is often most effective in advance. A cold spell late in November or early in December will occasion an immediate and large demand for ice skates, sleds, boys' wagons, and the like. If this happens again just before Christmas, the same effect will be observed, only accentuated. On the other hand, if warm weather continues through the fall, and up to Christmas day, there will be a noticeable lack of demand for all Christmas articles affected by the weather. It makes no difference if the weather grows very cold the day after Christmas, for the demand is over and past. The most potent factor in the demand for holiday goods is the comparative purchasing power of the many, according as to whether the times be prosperous or otherwise. So the amount of probable demand must be made the subject

of intelligent study and analysis many months in advance. The nature and amount of harvest yields, whether manufacturing and other industries are employed, and such like elemental facts are the principal components in the equation.

As an example, in 1914 it was easy to forecast as early as August 15th of that year after the European War began, that the trade in holiday goods would be comparatively poor, while a year later when the recovery from the effects of the war was well under way, an exactly contrary prophecy was sure of fulfillment.

Holiday goods are much differentiated from other kinds of seasonable goods by their very high birth rate, and equally high death rate, since there are constant new accessions to their ranks, and a correspondingly large mortality. They offer a great field for the exploitation of goods which depend largely upon appearance rather than their merit for their appeal to the purchaser. So inevitably they represent the constant passing away and brief tenure of life of such articles, which in turn are succeeded by others equally ephemeral and transitory. They are likewise a source of sale of many high-priced luxuries of questionable value and small usefulness, which would find no market save for the optimistic psychology of the season.

CHAPTER IX

SELLING

What is known in trade as the "Selling end of the business" is after all the most difficult, and one whose real importance has been perceived only of late years. Salesmenship is both an art and a science, one whose real import we are but dimly discerning. The salesman is the last word of an organization to its customers, and success in selling goods is the final end to which most all the energies and the various factors of the business finally tend. So salesmenship is a subject far too comprehensive to be discussed in a single chapter, and consequently must be the subject of a separate volume. Therefore, in this chapter only such phases are treated as bear more directly upon the subject of merchandising.

The first thought in buying and ordering goods is as to how they will sell, for obviously the whole purpose and intent of the merchant in buying and ordering is to provide such articles as find ready or certain sale. It makes much difference, for instance, whether salesmen carry samples of certain articles or lines as to how they sell. It is practically impossible to sell to any extent most of

the items which comprise the line of cutlery unless the salesmen carry samples. Every purchaser of a pocket knife or a carving knife, if he be a good buyer, wishes to examine and inspect the article before he buys it. You cannot describe it to him, nor even photograph it so that he can visualize it so well as when he sees the thing itself. It is, therefore, essential that the orderer know whether the salesmen of his organization are carrying samples of certain lines of goods. It is usually entirely unnecessary for the salesmen to carry samples of such staple lines of goods as carriage bolts, strap and T hinges, tin wash basins, and the like. But salesmen can largely increase their sales of padlocks by carrying samples of them.

There is no sharp dividing line to determine where carrying samples ceases to help the sale of the goods. There may be in stock a line of goods, which the concern has carried for a long time and has illustrated in their trade catalogue, and with which the trade presumably are familiar, such, for instance, as a line of mortise door locks in some design of bronze goods. Yet the salesman who carries samples of these goods and shows them industriously will probably thereby swell his sales of these articles.

It is almost essential that the salesman carry samples

of all new goods, sometimes even very staple goods, so that the trade may thus become familiar with them.

The necessary thing in carrying samples is that the salesman show them to his customers. Otherwise, if the salesman be lazy or indifferent and merely carry his samples around in his sample trunk, and only show them occasionally because of the labor and trouble involved, then the samples become an unnecessary expense as excess baggage and merely hamper the movements of the salesman.

A most important factor in selling goods is the matter of price. If a concern asks more for its goods than they can be bought for from others, then the sales will be in smaller proportion accordingly. If on the contrary the price of any article is less than the competitors of a concern are asking for it, the sales will be unduly large. It is the business, therefore, of the buyer and the orderer to know the prices his house asks for goods, and to govern his purchases accordingly. It is a fact of experience, however, that low prices do not always sell goods, especially if they be of high quality and merit, but often have the contrary effect. If, for instance, a certain high grade hand saw has always been sold to the carpenters by the retailer for $2.00, and the retailer reduces his price to $1.50, the chances are that

he will sell fewer saws than before. The psychology of this, as confirmed by long experience, is that the reduction in price, especially if made without any apparent reason, immediately raises in the mind of the carpenters the impression that there has been a reduction in the quality of the saw, corresponding to the reduction in price. As they always bought the saw on its merit, and because it was an effective tool, any suspected or even imaginary reduction in the quality of the saw causes them to cease purchasing it altogether and to seek some other saw which fulfills their requirements of merit. As a matter of fact in the case of tools, especially those by which men make their living, the largest sellers by far are those of merit and of higher grade rather than those which are cheaper both in price and quality.

There is another curious convention which obtains in all lines of goods. Certain prices of certain articles to consumers become well known, and the consumers and users are apt to refuse to pay more than these well-known prices. For instance, the price of one-quart tin fruit cans was usually ten cents to the user prior to the European War. If the dealer asked more than that, the housewife was very likely to refuse altogether to buy it and to endeavor to use something, say a glass jar, in its place. In the same manner a certain high-grade

shovel was sold by a wholesale hardware concern to the retailer at a price which enabled him to sell it in turn to the consumer for $1.00 per shovel. The wholesale concern advanced their price to the retailer, because the manufacturer of the shovel in question raised his price to the wholesaler. The retailer followed suit and advanced his price to the consumer to $1.25 per shovel, and in consequence the sales of the shovels fell off appreciably. This is another instance of the necessity of the buyer and orderer keeping in constant touch with the prices at which articles are sold, that he may regulate his ordering accordingly.

Again, there are styles of padlocks which are sold to the consumer at certain prices. Unless the buyer for the jobber can buy them at a certain figure, which will enable him to sell them to the retailer at a price which permits the retailer to make the conventional price to the consumer, then the chances are that the retailer will buy them only in very small quantities or else not at all. If, for instance, he cannot buy for $2.00 per dozen a style of padlock which he usually retails to the consumer at 25 cents a piece, he will probably, in the phrase of the trade, "pass them up." So the buyer for a wholesale house when buying an article, especially a new article, usually reasons backward from the price

the consumer will pay, to that which the retailer can consequently afford to pay and still have a sufficient profit, to that which he, the wholesaler, can in turn afford to pay the manufacturer. A concrete case, one of actual occurrence, illustrates this point. A certain brass padlock was sold by the manufacturers to the jobbers at a price which forced the retailer to sell to the consumer at 20 cents each. The sales were distressingly small, because the padlock was not worth 20 cents to the average consumer. So the buyer of a large jobbing house offered the manufacturer of this padlock an order of many thousand dozen if the manufacturer would make the jobber a price which would permit the padlock to be sold to the consumer for 10 cents each. The manufacturer accepted the offer, and the jobber thenceforth sold thousands of dozens where he formerly sold hundreds. Where the styles of the goods change from season to season, there is practically no effective way of selling them save by samples. Photographs are often used, and in some cases small models where the articles are too bulky or too heavy to be carried. Where goods are expensive or very stylish and attractive, there is no way of so impressing the customer with their value as by samples.

It is a custom in both retail and wholesale houses to

have "compaigns" or "drives" on certain lines of goods at certain times and for a specified time. It is the duty of the orderer of these goods to accumulate a sufficient stock to take care of the unusual sales. In wholesale houses this campaign often takes the form of what are known as "Mascot" months. A certain line of goods, say padlocks, are selected as mascots for the month of August. The salesmen are instructed to "push the sale" of padlocks during August, and sometimes prizes or rewards are offered as incentives to the salesman who makes the best showing. The part of the orderer of the padlocks is not only by due diligence and forethought, to provide sufficient padlocks to take care of all the orders that may come in for them, but likewise not to overdo this and thus have an overstock when the mascot month is past. It is an interesting fact of experience, however, that there is rarely any appreciable reaction in sales subsequent to the mascot campaign, and that the month following the mascot generally shows a normal sale of the article selected as a mascot for the month previous.

There is sometimes a peculiar feature in selling, in which the human equation "plays the lead," and which no system of records can cover. A salesman will take a fancy to some article and sell many more of such

article than is his proportion of those used in his territory. If the salesman leaves the house, or is transferred to some other territory, the sale of that particular article falls away to almost nothing, and the stock on hand may prove very difficult to dispose of. It is always well for the orderer of such goods, when noting their abnormal sales, to inquire into the cause, and to have it understood with the salesman in question that he must dispose of any goods which are ordered because of his peculiar bent.

New goods are frequently ordered by a business organization because a salesman finds a demand for them in his territory, but the orderer will find from experience that the salesman unconsciously is apt to overestimate the amount of them sold, and should proceed cautiously until his records of sales give him a substantial basis for ordering.

One effect of rising prices on the sale of goods is the shifting demand from one article to another, and unless the orderer of the goods be perpetually "on his job" he is apt sometimes to be caught "asleep at the switch" with an overstock of high-priced goods on his hands. Recently in the rise of prices caused by the European War there were numerous instances of this. One case was typical. Brass shoe nails are large sellers in the hard-

ware trade, but brass plated shoe nails are still larger sellers, because cheaper in price. During the advance in copper, and consequently in things made of brass, the price of brass shoe nails became so high that the sale of them practically ceased, and the demand shifted almost entirely to brass plated.

Following is a very common instance of the manner in which selling affects buying and ordering in merchandising. There will be an article, on which the patent has expired, but which has become well and favorably known both to the distributing and consuming trade. Another article, not so well known but similar in appearance and apparently answering the same purpose, appears upon the market. The larger sale still goes with the original or "genuine" article as it is apt to be called, though the "imitation" is sold at a somewhat less price. Apparently it is necessary to carry in stock only one of these articles, and that the best seller, since the goods are so closely related. Experience often shows, however, that the contrary practice is the better paying one in many instances, and all because of a peculiar psychological fact. It the house carries only one article, and that the original, the salesman learns that his customers often call for the cheaper article, and finding that the salesman's house cannot supply it, demand that the sales-

man make them the same price on the original article that they can buy the imitation for, on the plea that the imitation answers their purpose equally well. The salesman often finds that he has Hobson's choice of not getting the order, or else of reducing his price on the original to meet the price of the imitation. Whereas if he has both genuine and imitation to offer, he meets the demand for a cheaper article with the imitation, and for better quality with the genuine at his regular price. The interesting and very peculiar feature of this is that when the customer finds that the salesman has the imitation article, he rarely buys it, but takes the genuine at the regular price. So to have both articles in stock is often wise policy, since the carrying of the imitation "sustains" as it is called, the price of the genuine article.

CHAPTER X

FILLING ORDERS AND OTHER RELATED FACTORS

Service is the keynote of success in modern merchandising. By service is meant primarily complete filling and prompt shipment of orders received from customers. Complete filling of all orders in actual practice is found to be impossible, because it is not possible always to have on hand such an unbroken stock of goods as will take care of those wants in the shape of orders from customers. Obviously no system of records, however accurate and intelligently kept, can anticipate such wants. Especially is this true because of constant variation in demand due to those ceaseless changes in the taste of buyers, and in general conditions, both material and psychological, which alter from day to day. Moreover, manufacturers usually are unable to ship goods at sight to supply the wants of the jobbing and retail trade, and there are often delays in transit which cannot be avoided. All these factors cause shortages, that is, there are items on some orders of which the stock is either exhausted or else not in sufficient quantity to fill the orders. These shortages should be reported promptly by the stock department to the ordering depart-

ment, as outlined in the chapter on "The Care of Stock." It then becomes the part of the ordering department to obtain the goods as quickly as possible. If the needed goods are already due on orders from some manufacturer, then either by letter, telegraph or telephone the manufacturer should be urged to make prompt shipment. Often the goods are of such nature that they can be ordered by express without undue expense. The usual method of determining whether or not it is profitable to do so is to find out the relation between the express charges, the cost of the goods and the price at which they are sold. If, for instance, a concern is short an article which costs $1.50 per dozen, is sold for $2.50 per dozen, weighs 25 pounds to the dozen and the express charges from place where made to the concern in question are $2.00 per 100 pounds, then it is seen that the cost of the article per dozen when ordered by express is 50 cents per dozen, which added to the $1.50 per dozen cost makes a cost delivered by express of $2.00 per dozen against a selling price of $2.50 per dozen, leaving a gross profit of 50 cents per dozen. It is, therefore, good business to have the goods come by express rather than await the slow delay of freight, since the sooner they are in stock, the sooner they can be used to fill orders, and thus give good service. The best rule to adopt is to order by express

in case of shortages, where the total cost of so doing does not exceed the price at which the goods are sold. It is better to sell the goods at cost than to be out of them and thus disappoint customers. It is not necessary to order the entire lot by express, but only such proportion as will bridge over the difficulty until a freight shipment may arrive. Obviously some goods are too heavy and the express charges bear too great a relation to the cost of the goods to permit coming by express without a serious loss. It would be foolish, for instance, to order wire nails by express.

When the shortage is reported, if goods are very staple and are called for constantly, it often pays to telegraph the order for them to the factory, so as to save the delay which would be occasioned by sending the order by mail in the usual way. An order placed for goods that are short should always contain a request to the manufacturer to advise the sender of the order on receipt of said order when shipment will be made, so that there may be some knowledge of when the goods will be received. In some cases, where such goods are shipped in car loads, it is well to have the factory telegraph routing and number of the car, so that the railway transporting it may be instructed to watch it and bring it through as quickly as possible. Where goods can be

ordered in full car loads, with due regard to turnover of stock and the amount of money invested, it should be done, as car loads always come through more promptly than less than car loads, with the goods usually in better condition. Small orders of light weight goods can often profitably be ordered by parcel post.

A memorandum should also be kept in a diary to look frequently into the question as to whether the manufacturers have shipped the goods needed so badly, since manufacturers, being human and fallible, are not always able to ship promptly on the dates they agreed to. Where shipments have not been made, then manufacturers should again be urged to make them.

Sometimes there may be found in stock similar goods, which may be substituted temporarily on orders for the goods which are short until the required goods come in. If, for instance, a certain pocket knife is short there may be another one in stock, similar in looks, design and appearance, which can safely be substituted for the one short. Always, however, the article substituted must be at least equal in quality and appearance to the one for which it is substituted, and never inferior. Substitution is a risky performance, though constantly done, since there is always the chance of offending the customer by sending something different from

what he ordered. In the case of the pocket knife mentioned, as an example, the customer may have all he wants in his own stock of the substituted article sent him, which thus may prove a source of irritation. The "substituter," the one who does the substituting, should be a man of experience and judgment, and thoroughly familiar likewise with the goods in general, so as to know when and what to substitute. Also he should know something of the nature and peculiarities of the customers, so as to determine those on whose orders it is safe for him to substitute, and those who "will not stand for it." Substituting has a double purpose, the first, not to lose the sale altogether, and the second, to give the customer something which may answer his purpose rather than not ship him anything at all. Whatever may be the various theories on this subject, the facts of experience seem to indicate that most substitutions "get by" and apparently are satisfactory.

"Buy outs" are another form of getting goods quickly to fill shortages on orders. They consist in buying out such goods as may be had in the city or town in which the wholesaler is situated, to such an extent as will suffice temporarily to take care of the shortages. In large cities, where there are several wholesalers in the same line of business, this is a frequent practice, and it usually re-

sults from the law of chance that all the wholesalers are not likely to be out of the same goods at the same time. It is rather an expensive method, since usually competitors charge each other very nearly the same prices that they charge their own customers. Consequently such buying is usually done in very small quantities, and only to satisfy immediate and pressing needs in the way of shortages.

Another system is what is known as "back orders." This consists in making a transcript or "back order" of the items which are short, shipping the remainder which it is possible to fill complete, and advising the customer that the goods short have been back ordered and will be shipped to him as soon as they arrive from the manufacturer. The back order is then held, and filled and shipped from the first goods which come in, being given preference in this respect over all other orders. Back ordering goods is done under several conditions—when the goods are in transit or "on the road," as is the trade term, and will be in shortly, so that the customer will get thus them as quickly as if he ordered them anew from some other concern; or when the goods, which are back ordered, are very scarce, and the customer is likely to get them as quickly by having them back ordered as if he ordered them from some other concern, who would

also probably be out of them; or when the goods back ordered are in some manner peculiar to the house from whom they are ordered and cannot be obtained from any other concern. The policy of back ordering is to prevent the loss of sales, as is the case when the goods short are omitted entirely. But the interest of the customer must always be borne in mind, and it is not only manifestly unfair to the customer, but likewise poor business, to back order shortages when it means that there will be a long delay in shipping those goods, which meanwhile the customer might get more quickly from other sources of supply.

Promptness in filling orders depends first upon having a well-assorted and sufficiently large amount of goods on hand to take care of the orders; secondly, upon a working system, efficiently administered, which makes the "getting out" and shipping of the goods so ordered a matter of comparatively short time. In a concern which carries large stocks and large assortments, much intelligently administered system is necessary to prevent all the innumerable details from hampering and delaying shipments. The variety of assortments when carried too far is often a handicap in filling orders, because it introduces undue details, and makes it more difficult to keep up the stock. Obviously it is easier to keep up

a stock of two items than of one hundred. Yet the general policy of American merchandising still tends to the one hundred item policy rather than to the two. Every whim and fancy, as well as every real need, is consulted in the matter of assortments, until the variety of assortments has been raised to the Nth degree. At this writing there seems to be a healthy reaction among manufacturers, jobbers and retailers towards smaller assortments, which yet answer every reasonable purpose.

CHAPTER XI

FINANCIAL FACTORS,—CREDIT, COLLECTIONS, ACCOUNTING

It is a common, yet true, saying in the business world that money is the life blood of trade. All the processes of merchandising are directed to making or conserving money, since this is the ultimate measure of success. No business can be said to prosper which does not show a profit. How the money is made, and what is done with it, is another matter, that of ethics. Incidentally, no business even with the highest code of ethics can ever keep in successful operation for any length of time unless the business itself be a success financially. The financing of a business is a mixed matter of Financiering and Merchandising, and so will be treated in this chapter only as it relates to Merchandising.

In ordering goods one seeks to have on hand only that stock which is needed, else there results a locking up of idle capital and the expense of carrying charges, so that it may become necessary to sell these overstocks at a small profit or even at a loss and thus to "turn them into money." The turnover of stock has for its purpose the employment of as small an amount of capital as is consist-

ent with the due filling of orders. The intent of buying is to procure low-priced goods that selling may thus make a satisfactory profit on them. The aim of credit is to offer no obstacle to the wide prosecution of business, save such caution as will prevent undue loss of money.

The extending of credit to customers is largely a matter of judgment, which has for its basis a knowledge of the customer's financial condition, of the general business conditions in the customer's territory, and finally, and most of all, the standing and personal character of the customer himself. For in the last analysis, credit, whether extended by a bank or a mercantile concern, finally rests upon the character of the recipient. In most large wholesale concerns, the principal difficulty about extending credit is that the credit man usually has little or no knowledge either of the customers or of their territory. His information is generally derived from the traveling salesmen of his house, the reports of mercantile agents, and such stray gleanings as he gathers from all other sources. If the credit man could and would travel more among his customers he would secure a much clearer and more intelligent view of his customers and of their credit risks.

Much the same thing is true of the matter of collections, though in most houses credits and collections are

associated in one department. The collection man in a large house, is usually remote from the scene of action, and has only the point of view that the money is due and should be paid. It is the true point of view, and logically an unanswerable argument. It is also equally true that often the collection man, like Pharaoh of old, must constantly harden his heart, and also like Shylock, exact his pound of flesh, lest he be found an "easy mark" and have bad debts "put over on him." But there are times and circumstances where leniency and forbearance and consideration pay well in the long run. In such cases the best guides to good judgment are, if possible, a knowledge of the customer, and the conditions and surroundings under which he does business.

For instance, in the Great Plains States of the West and the Southwest the climate is the keynote of the business situation, for agriculture and grazing are the principal industries and revenue producers for the commercial world. Nature is by turns both cruel and kindly. There are wet seasons when the clouds drop fatness, and dry years when, as related by Elijah, "The sky is as brass and the earth as iron underneath," and when hot winds destroy all crops and all vegetation, as with the breath of a furnace. During the wet season business is good, for crops are plentiful and livestock fat

and abundant on the great grazing ranges; also credit is easy to obtain and collections good. In the years of heat and drought, business is a forlorn affair and lives largely upon its own fat, save in those progressive sections where the growing of drought-resisting plants and forage crops has changed the face of nature. In such troublous times the retail dealers have nothing to pay with, for the farmers, their best customers, have but little to sell, and sometimes must be supplied with the bare necessities of life until another and better crop cômes around. In such cases it does little good to crowd the retail dealer hard for collections, as it may only result in his bankruptcy, from which few creditors reap anything but a heavy loss. If the customer be honest, square, industrious and economical, it is often wiser to carry him along through his troubles, allowing him to pay up from time to time as best he can, and even to extend him moderate credit on such comparatively few goods as he may need. It is the custom of the country, and those who follow it with judgment and discretion and due knowledge of the situation, usually have their reward in time, in the shape of back debts paid up, and a continuing business from the customer who thus has been tided over his troubles.

While consideration of this nature may often be the

best method of making collections, it must be always borne in mind that the chief factor in successful collecting is tireless industry in watching accounts, and in pressing demand for payment for those which are due or past due. It is much the case of the Unjust Judge and the clamorous Widow as recited in the New Testament. Those who are most persistent and untiring in asking for payment are apt to receive it in preference to those who fail to make their wants known. There is no specific rule nor form for handling customers so as to get best results. Each one must be the subject of a separate study, according to the conditions which surround him and his own peculiarities. It is well and often necessary for the credit man to consult the salesmen who visit customers as to the nature of the customers, and the state of their environment, though it must always be borne in mind that the natural tendency of the salesman is to be lenient with his customers, lest he lose their trade. So this factor must be discounted in such suggestions as the salesman gives as to how to handle the customers. A very large proportion of the retail trade are unfortunately poor collectors, because they are afraid of offending their customers and losing their trade. It is a fatal mistake, for there is an aphorism in trade that no merchant ever failed because of being

a good collector, but a very large number have gone to the wall because of the opposite characteristic. The smaller the town, the more apt the dealer is to be slack in his collections, since the social factor enters largely into the problem. The dealer does not wish to incur the ill will of those with whom he is in daily contact by the imputation of being hard-hearted and unfeeling. He fails to realize that close collections are his salvation in business, and that undue leniency in this regard will inevitably bring him close to the ragged edge of disaster. Being a poor collector, and having idle money locked up in overstocks that they cannot readily convert into liquid assets, are the principal causes of the inability of retail dealers promptly to meet their obligations to wholesalers and manufacturers.

The psychology, which is at the root of the importance of being a good collector, is expressed in the saying of a very shrewd business man, who was also very rigid in his ideas of right and wrong,—"I want a remittance for the account now due," he was accustomed to write to slow-paying customers, "because it is due." In effect it was his own money that he was asking for, and save for inability, there could be no valid reason for not paying it back to him. However, much as a slow-paying merchant may bluff, pretend indignation and

make excuses, he knows in his heart that he is wrong, and that not paying debts when due, unless for absolute lack of means to do so, is after all a species of dishonesty, however much custom may gloss over the fact. Being slow pay is a habit, easily gotten into, but fatal in its final effects.

The story of accounting is a short one in its direct relation to merchandising. One of its phases is that of showing the cost of doing business not only as a whole, but also as relates to the separate divisions of each business organization. In a large wholesale house, this should be known, unless this knowledge involves too much labor and expense, and whether the different departments are profitable, and if not what is the reason. The larger the house, the easier it is for leaks and useless expenses long to escape detection. If, for instance, in a hardware jobber's organization it be found that the cutlery department is very profitable and that the sporting goods department is not, then the reason for the failure of the latter department to contribute its share of profit towards the general welfare should be the subject of searching investigation. It may develop that the causes can be remedied when once found. Such an investigation may bring to light a lack of sufficient gross profit in some leading lines, or an undue

selling expense in others, or lack of close enough buying in the matter of obtaining low prices from the manufacturers, or a failure to turn the stock over properly. It may also be found that the causes of the lack of profit in this particular department are due to peculiar conditions in the trade, which it is not possible to remedy. Yet it may wisely be concluded to continue the department as it stands, because its effect in adding to the necessary volume of business, and in bringing business to the house in the resultant sale of goods of profitable departments, more than compensates for its own lack of profit. But these facts should first be known, so that whatever action is taken shall be with an intelligent knowledge of the situation, and not on mere conjecture and estimates, as is too often the case.

It is one of the wonders of commercial life how certain theories and beliefs are universally accepted as beyond question until some analytical mind shows them to be in direct opposition to the actual facts of the situation. This peculiarity of unthinking credulity arises largely from the universal human trait which avoids facing basic facts, preferring rather to live in a Fool's Paradise.

Accounting also may be easily and profitably applied to the examination of the profitableness or unprofitable-

ness of certain lines of goods, and the reasons for such conditions. Yet again it may be wisely concluded that it is necessary to carry certain lines because of the great demand for them, and the fact of being able to supply them means usually the consequent sales of other goods of a more profitable nature. Horse shoes in the hardware business, and sugar in the grocery business are typical examples of such lines.

The extent and variety of accounting depends largely upon the size of the organization. Large wholesale houses are apt to have records and statistics on many goods and processes of which no use whatever is made, and consequently such accounting is mere wasted time, labor and expense. On the other hand, small retail dealers often do not "keep books" save in a most primitive way, and also in a way that does not betray information to any one save the man who keeps the books. The best rule is that the nature and extent of accounting shall be in direct relation to the nature and extent of the business. That is why complicated systems of double entry book-keeping are mere foolishness to the small retailer in the small town, who only needs to know some few facts which his books disclose, but which he cannot well discover from his own constant personal contact with practically every phase of his business.

CHAPTER XII

DISTRIBUTION

As we have seen in previous chapters, the first process of merchandising is that of buying the needed goods. Then follows ordering these goods, taking care of them when received, and filling orders, which brings us to the question of distribution.

Trade is generally along certain geographical lines, these lines as a rule being the shortest or most convenient paths between the points of trading. Certain localities, usually large cities, become centers of distribution because of geographical advantages of situation. In the early days such advantages were largely those of water transit, either on a river, or on the ocean, or on a large body of fresh water, such as the Great Lakes of North America. These various situations gave the beginning of commercial importance to New York on a great harbor, Saint Louis on a great river, and Chicago on a great lake. The rapid growth of railroads profoundly altered this situation for the time being and made possible the existence of distributing centers, such as Indianapolis, Minneapolis and St. Paul (the Twin Cities),

Denver, Atlanta, and a number of others, all of which are inland cities dependent for transportation facilities entirely upon railroads. To this there has been added in comparatively recent years the Interurban Electric or Trolley lines, which are doing much to increase the distribution advantages and facilities of such cities as Cleveland, Detroit, Toledo, Indianapolis and many others.

With the growth of the merchandising policy among the retail trade of carrying small stocks and turning these stocks over often, the demand from the retail trade has become largely that of prompt shipment, so that service usually assumes precedence over price as the determining factor in purchases. Formerly the large cities were the principal seats of the distributer of merchandise in the person of the jobber, but of late years many of the smaller cities harbor and support one or more jobbing houses, who cater to the nearby trade with the simple and formidable argument of supplying goods promptly, and thus render it possible for the neighboring retailers in the surrounding country to get along with small stocks, frequently replenished. Several ways of meeting this competition have been put into operation by the more distant and larger jobber in the large city. One is that of a larger and more complete assortment than

the smaller jobber in the small city can afford to carry. Another is that which is known as direct shipments from the factory. A supposititious case is that of a large jobber in the Central West, somewhere on the Mississippi River, who arranges with manufacturers in the state of Ohio to ship their products direct to his customers in Ohio. The salesmen of the jobber take such orders in the regular way. When received, they are forwarded by the jobber to the manufacturer, who in turn ships them direct to the customers of the jobber. There is thus avoided the time consumed by the shipment if made from the jobber's place of business, and there is saved to the retailer the difference in freight to his town from the city in which the jobber is situated and the location of the manufacturer. It is obvious that the advantages of this plan to the retailer consists primarily and principally in the promptness with which the manufacturer makes shipment, as compared with the same service shown by some "local" jobber in the state of Ohio.

Another plan is that of "collective car loads." Let us assume a case of a large jobbing house in a large city, somewhere in the Central West, which wishes to sell stoves and stove furnishings to a number of the retail trade adjacent to one of the large cities in Texas. Orders are taken by the salesmen of the jobbing house in ques-

tion from the different retail customers in the section of Texas under consideration. When these orders have accumulated enough tonnage to fill a car, a "collective car" of all the orders is shipped to the large Texas city. When the car reaches its destination, bulk is broken, and the different lots for the different customers are shipped locally in "less than car load lots" to their various destinations. The advantages are that the full collective car goes through much more quickly and with less likelihood of damage to the goods while in transit than if shipped in local or less than car load lots. The theory further is that if the Texas retailer bought from the nearby Texas city under consideration, that the Texas jobber would have to pay the freight from the factory to his place of business in car lots, and that necessarily he would add this freight to his price to the Texas retailer, so that in effect when the Texas retailer buys from the jobber in the Central West he purchases the goods F. O. B. (free on board) at the place of business of the jobber of the Central West. But although he pays the freight to the Texas city in the first place on such purchases, he only does what in another form he would do in case he bought the goods from the Texas jobber.

Now it would seem that these various methods of

doing business between the jobbers and their customers are very complicated and expensive, and have a tendency to advance the price of goods to the ultimate consumer, because of the constant duplication of effort in selling and buying. These same retailers in Texas may be visited by the salesmen from twenty-five or more jobbing houses situated in all parts of the country. It would seem much simpler to divide the country into geographical divisions, according to the advantages possessed by certain distributing centers. For instance, a certain portion of the state of Colorado might arbitrarily be alloted to Denver as a distributing center, while Salt Lake City might assume charge of much of Utah and some portions of Wyoming. Chicago might take certain sections of the Central West and Northwest, and Saint Louis other parts of the Central West, along with some sections of the Southwest—an arrangement in fact after the fashion of the various Federal Reserve Bank divisions. It would appear, therefore, quite logical under such an arrangement that many of the expenses of innumerable competitors, covering the same territory in their efforts to obtain trade, could thus be eliminated, and that the retail dealers and the consumers would get the benefit of these economies in the shape of lower prices of commodities. But there are many things that

are logical in text-books and in theory that are not so in actual life, and that are quite impossible of realization. The problem goes deeper than logic and economic theory, however unanswerable on paper the latter may appear. The story of American history is the story of progress, because of individuality and the seizure of opportunity by the many. To crib, cabin and confine the energies which sought to find vent in mutual and constant competition with each other is a thing impossible under present conditions of American society.

Only so recently as the early days of this century this plan was definitely and industriously sought to be applied in the shape of great consolidations of manufacturing and mining interests, whose principal claim to existence were more efficient and economical methods of manufacture and distribution. In many instances they made good as to economies and efficiency of manufacture, but failed utterly as to the same results in distribution. The net results as a whole were an enhancement and not a decrease of prices to distributers and to consumers. Moreover, the success of these consolidations incited other groups to consolidate, thus creating more competition than they destroyed so that the matter of widespread competition remains much as before.

It is perfectly possible and easily thinkable that the

growth of population in this country, especially in the large cities, may bring about a state of society where in many walks of life collectivism may be the dominant factor instead of individualism. But there is nothing at present in sight to warrant the belief that this is likely to come about in distributing circles in the near future. The conflict of the various systems and units of distribution has brought about and spread a spirit of cosmopolitanism, which could not obtain were the local dealers dependent entirely for their supplies upon the local jobbers. Competition, of the keenest nature, spurs the efforts of both the more distant and the local jobber. Both have the incentive of a constant commercial warfare, which makes them more observant of the wants of the customers and of their own methods of business, and there does not seem to be any reasonable doubt but that the retail dealers profit more, both in service and prices, by this ceaseless competition between the jobbers, than if they were dependent solely on one source of supply. It is the story of human nature that when it has a monopoly on anything, it becomes indifferent to the wants of those whom it should serve, and finally looks only to its preferment, regardless alike both of its duties and obligations. That both classes of jobbers, local and more distant, have thriven and prospered under this competi-

tion, is due not to undue and excessive profits, but to improved methods of business, which this commercial warfare made necessary to their very existence. Whatever the faults and sins of competition, there remains no substitute for its incentive and progressive spirit in business, unless mayhap that of coöperation, of whose merits we know but little in an age of Individualism.

In the retail trade where the consumer is dealt with directly, the problem of distribution still demands the prime attribute of service. This is shown by the delivery, to the houses of the householders, of the smallest packages, of orders given over the telephone instead of in person, of deliveries to suburban customers by the great department stores, of shopping done by mail, and of every possible form and method of convenience made easy to the consuming public. All this convenience costs and is added to the price of the goods in some form and fashion. This it must be remembered is a general statement, which like all such generalizations is subject to some striking exceptions. The competition between the great department stores is such that as an added incentive to "draw trade," all the ways and means of buying are made easy to the consumer, and often without any additional charge, because that would entirely mar the effect of the effort to get additional customers.

The store in such cases seeks to recompense itself for the added expense by an increase in the volume of business done, or else absorbs the new cost in its "overhead," as a part of a general expense that inevitably grows year by year. Moreover, the temper of the trading public is such that it constantly demands—and gets—more in the way of convenience, comfort, and amusement for the same price than it formerly paid for matters of less comfort and less ease. In discussing this phase of distribution, the mere theorist, safe from the daily contact with the hurly-burly of the workyday world, insists upon a return to a simpler life, as the only solution of this phase of the problem of distribution. The housewife must come and select her purchase for herself, instead of using the telephone, and must take it home with her instead of having it delivered. Undeniably and logically she should, but she will not, and that is all there is to it. This easy, but impossible solution, runs counter first of all to the spirit and psychology of the times. The present method is one of the many advantages of the age in which we live, and makes more leisure and freedom from hard drudgery possible, because of its many mechanical appliances and labor-saving inventions. The woman of the household sees in the telephone and the delivery wagon a release from ceaseless drudgery and also realizes

the consequent broadening of her mental horizon, because of some spare time to devote to things better than household work, which most women dislike so far as any pleasure to be derived from it is concerned, and gladly escape when opportunity and their sense of duty permits. With woman much of this labor is after the fashion of Pooh Bah in the Mikado: "I do it, but it revolts me." This, too, despite much sentimentality that mere man has written to the contrary. To ask woman to abandon all these means and methods which enable her to devote at least some of her time to matters of more interest and more pleasure is to run counter to the general spirit of the times, and furthermore to seek to perpetuate ways that are out of date.

The experiment of marketing by direct contact between the farmer and truck gardener and the housekeeper is now on trial in many great cities. It has in most cases been apparently successful, but the prime difficulty is that its effect is necessarily partial, for the multitudinous many still go on as before. It will be remembered that just before the coming of the Parcel Post it was heralded as a means whereby the farmer should directly contribute to the breakfast and the dinner table in the city. But little came of this phase of its usefulness, because the ways of purchase, sale, credit and remit-

tance are not easily compassed by so simple an expedient. On the other hand, certain large distributers, in some great cities, some of whom include manufacturing as a part of their equipment, have made a pronounced success of dealing direct with the consumer, especially on the farm and in the small town. They seek in effect to eliminate one and sometimes two factors in the chain of distribution, namely, the jobber and the retailer. To do this requires an elaborate system of catalogues, much advertising, and much machinery of system and method. It is very doubtful whether after all the increase in price in the usual chain of distribution from manufacturer to jobber to retailer to consumer has in any way been lessened by this plan. The facts are that both methods—diametrically opposite in purpose and method—continue to thrive side by side. This is not a new phenomenon, but one occurring so constantly in economic life as to create a well-founded belief that economic ways are largely empirical, and rather the creation of happy opportunism than of immutable laws.

The real objection to the system, whose logical effect is to eliminate the retailer, goes deeper than the mere cost of distribution, for it strikes at the life of the country town. The great city has ever been the problem of every civilization from the days of Babylon, Nineveh

and Rome unto our own times. The decadence and decay of the great capital marked the ruin of the civilization which it typified. Whether we shall repeat the story of the past depends not so much upon the saving grace which may be manifest in the great center, despite the apparently inherent evils which mark and accompany its progress, as upon the independence and wholesomeness of the world outside. We are familiar with the growth of urban life and population at the expense of the countryside, and with the resultant evils which still give us grave concern. So an economic tendency, which seeks to destroy the life of the small town, is far more serious than the question whether the rural consumer can or cannot buy more cheaply because of this system than through the medium of the hitherto prevailing methods of distribution. The average small town or city, save where it has some local industry, such as mining, manufacturing or the like, usually subsists principally upon the trade of the nearby farming community. It buys and markets much of the minor products of the farm, and affords the farmer a shipping point for all his products. Of late years it has become the center of social, educational, religious and economic life to all the surrounding country. It now offers public libraries, places of amusement, high schools, and junior colleges to

all the dwellers on the countryside. These things which make life worth while have now become of easy access to the farming community because of good roads and automobiles. There is no longer that same desire to leave the farm and seek the advantages and opportunities of the great city, which once robbed the farm and the small town of its most enterprising and adventurous spirit. Life on the farm has been freed of that loneliness and monotonous drudgery which caused so many to flee away from it. The newly awakened spirit of local pride in the small town is making it a place of attractiveness to all the dwellers round about it. Means of communication are now so speedy and reliable that it offers much in the way of advancement and enlightenment that its isolation formerly denied it. The people of the town seek the friendship and companionship of their farmer neighbors, thus breaking down that invisible line which formerly separated town and country. If the farmer is to trade with the distributing concern in the distant city, then the small city and town, largely dependent upon the farmer trade for its support, must decay and become of small import and moment in the country's civilization. The inevitable effect is to retrograde life in the country back to a condition of loneliness and unattractiveness, such as it has not known for many genera-

tions. This is an impossible picture, and yet at one time it seemed likely of realization.

One of the most directly practical factors in distribution is the extent of what is known as the "trade territory" of any distributing center, or that portion of the country in which a distributing center naturally sells goods, because of the advantages of quick and efficient transportation, and the natural bonds of sympathy and understanding between the people in the distributing center and those whom it seeks to serve. Freight rates play an important part in this matter, regardless often of the comparative distances from two competing distribution centers to the territory in which they desire to sell goods. The distributing center, which has the lowest freight rates and the quickest means of transportation to the desired points has of course an initial advantage. The majority of distributers in any large city are apt to be content to confine their activities and endeavors only to what is generally termed their natural trade territory, by which is meant that section of the country which it reaches most promptly and effectively through its transportation lines, so that it can deliver goods in that particular territory to better advantage than most of its rivals. Chicago, for instance, expects to get the trade

of certain sections in the West and Northwest on this basis, while St. Louis looks to certain portions of the West and Southwest for the trade to be her own peculiar province. Yet the enterprising jobbers do not confine their operations to any such conventional limits. They demonstrate by means of prompt shipments, by large and well-chosen assortments, by the employment of good salesmen, and by persistent advertising, that they can practically sell a sufficient quantity of goods which they carry to make such trade profitable. There are a few enterprising jobbers in certain distributing centers who sell and distribute the goods all over the United States by the means which have been enumerated.

The essential problem of distribution is to bring producers and consumers in as close business contact as possible, and thus diminish the cost to the consumer by removing the expensive operation of having the goods pass through the hands of the middleman. Yet after all is said, such solution makes slow progress because of the stubborn fact that while the generally prevailing system of distribution is admittedly expensive and inefficient, it still perseveres because no better way has as yet been found. The analogy of trial by jury is much the same story. It is a very faulty legal procedure of law, but no one has yet suggested a better method.

The usual mistake is to seek solution of the problem along general lines, when each line of business offers a distinct and different difficulty. The nearest approach to a generalization probably is found in the statement that simple, elemental goods, without too much complexity of assortment, lend themselves most readily to closer contacts between producer and consumer. The difficulty increases with the complexity of the line and the variety of assortment. A retailer who handles only one or two simple lines or articles has a much better opportunity of advantageously buying direct from the factory and thus eliminating the jobber, than who handles a great variety, none of them of any great moment. An extreme case will bring out this latter phase more clearly. A retail hardware dealer in far Southwestern Texas has a stock of goods of about $10,000.00 in value, and this stock is made of several thousand articles, very few of which he buys in any quantity. He finds that he needs about one dozen items, each made by a different manufacturer, and none of these items of sufficient quantity to make enough weight for a freight shipment, and it is much too expensive to have them come by express. Moreover, the manufacturers of these needed items are distant—all the way from Central West to New England. The

delay in getting the goods is too long to be considered, and moreover none of the manufacturers could afford to sell the retailers such small orders, as their credit and selling forces are necessarily constructed upon the plan of selling large quantities of goods to comparatively few merchants, and these few buy in large quantities. So the retailer in question finds that the most economical thing he can do is to send an order for the entire lot of goods to the jobber, with whom he trades and who carries all of the items in stock and can ship promptly.

The jobber in all lines of business still continues to grow and to enlarge his bounds, because he is an economic necessity, and a needed cog in the machinery of distribution. We must remember likewise that distribution methods suited to the smaller countries of Europe are not suited to us, not only because of the great extent of our country, but likewise because of the difference in the temperament of our people. Theoretically consolidation of competing interests, and centralization of manufacturing and distribution, thus eliminating the supposedly useless units and middleman, is best for the race, because it supposedly reduces the price of commodities to the consumer. In actual practice it often does exactly the reverse.

But there is another and sinister side to it. No form of civilization has yet been devised which can make a great people out of a nation of employees. The small and numerous employers are better for the country than if they were workers in great central factories. Ownership of some form invariably breeds responsibility and such forethought as is needed to make haste slowly. The hysteria of the people of a great city of many employees is often in strong contrast with the sober sense and sanity of the owner dwellers in the country. The economic problems of the day are largely social, for the real products of democracy are intelligent men and women and not cheaper methods of distribution at the expense of matters far more vital.

CHAPTER XIII

ADVERTISING

The nature and function of advertising are too comprehensive to be treated in a single chapter, especially as we are concerned only with that phase of advertising which relates to merchandising. We must have some understanding, however, of the real purpose of advertising if we are to comprehend intelligently what bearing it has upon the various policies of merchandising.

Advertising is in effect a separate business in itself, of extraordinary complexity, and of equally extraordinary possibilities. These possibilities are only now beginning to be perceived, although as a business it was nothing new to many past generations, yet only now are we getting some glimpse of its real nature.

For a long time success in advertising was supposed to be the result of happy accident or opportunism, as might be illustrated by some catchy phrase, or the invention or adoption of some word or slogan, which at once caught the popular eye and fancy. There were enough successes of this nature to encourage the belief that such methods were the head and front of advertising,

with the natural result of the business being much influenced in the distant past by a set of adventurers who depended upon their effrontery and juggling with the quips and quirks and wanton wiles of the English language in their gambles at getting business and making a success of their ventures. Obviously the ethics of a business, much of which was done after this fashion, was of a kind which incurred the disdain and reprobation of the most potent, grave and reverend seignors in the higher world of commercial life.

As time went on apace, it began to be seen and realized by those enterprising spirits in the advertising business, who had some vision as to the real nature and possibilities of their calling, that advertising was a great and serious affair, worthy of the utmost study, because its chief function was a knowledge of human nature. Its primary purpose is to catch the attention of the party whom it seeks to interest, and to have and hold that attention when once secured. Obviously, therefore, it involves a study of the psychology of human nature as to how it shall achieve this result. All printed advertising must not only catch the eye, but likewise the interest of the human unit to whom the "ad" is directed. Its principal need, therefore, is a knowledge of the English language and how it shall be applied, and this is the

one point on which most of its followers signally fail. So signally, in fact, that it is probably a true estimate that nearly 75% of the money spent in advertising is merely wasted, since it fails to bring adequate results. One has only to read carefully the advertisements which cumber the pages of magazines, periodicals and newspapers to realize how futile, badly constructed and ineffective many of them are. The trouble is that the people who write most of them have neither the needed education nor the needed training to present a story in a few attractive words, which of course is the supreme test of such work.

The once popular idea that there was a knack, or a trick, or something mysterious about advertising still perseveres to a large extent, when in sober truth it is a business where success can usually be won only by patient, carefully planned and intelligently carried out methods. The comparatively few successes which go contrary to these methods are only the usual exceptions to every general statement. Fortunately there is a little human leaven, constantly growing, until it shall leaven the entire mass, which realizes that of all businesses, advertising needs the most perpetual care and unfailing and sustained sober thought.

The aim of advertising in connection with merchan-

dising is to increase the sale of goods, by making them familiar to those who use them. The first consideration is as to whether the concern who does the advertising has what is known as "an advertising proposition," else the money spent for advertising is spent uselessly and to no purpose.

Let us suppose an example to-day of a large wholesale jobbing house, which has what is known as a "special or private brand" line of goods of their own, as for instance a line of edge tools. It is quite essential that the name or title of the brand be appropriate and easily remembered. It must also be complete as to assortment and represent a line that contains all the tools needed and called for. Most of all it must have the necessary merit, for genuine merit is the only thing which can be successfully advertised continuously. There are instances, of course, where the opposite course has succeeded for a time and all seemed well, but the end comes inevitably. Where merit is advertised and is absent, it is usually only a question of time before the scheme becomes exposed, and then the end is sure. Some, of course, have gone into this "game," with the intention of "making a quick clean-up" and then retiring. Nowadays, however, such methods come under the ban of the law.

The line of supposititious edge tools must also have

sufficient sale and be widespread enough in their use, so that the volume of their business warrants the expenditure of the necessary amount of money in advertising. For advertising is expensive, and to succeed in a broad way must be done liberally or not at all. Also it is a continuous performance. There is no such thing as quitting when the name of your brand of edge tools is sufficiently well and favorably known to warrant your ceasing your advertising and thereafter enjoying the benefit of the money spent in giving your brand publicity. To cease advertising is painfully to realize Shakespeare's statement, "How soon we are forgot." To obtain the full measure of an "advertising proposition," the owner of the brand of edge tools must also have a large force of salesmen to follow up the advertising campaign with the retail customers of the wholesale house in question. Such advertising as we are contemplating is directed at the consumer, who uses the edge tools, whether farmer, carpenter, mechanic, or householder. Between the consumer and the wholesaler there ensues the retailer, the final distributer. The retailer handles such goods usually as are called for by his customers, and consequently are easily sold. Now it takes very effective and long continued advertising backed up by much merit in the thing advertising to induce the majority of consumers to

call for the thing advertised, though there is a general impression that advertising alone can create a satisfactory demand for certain articles. This is rarely so, for there must be other factors to make this demand of widespread and enduring nature. Some consumers, probably many, call for goods, with whose desirability they have been impressed by advertising. But the principal effect upon other consumers is to make them become familiar with the goods advertised so that they give them favorable consideration when brought to their attention. And this is where the retail dealer comes in. He can do so much to help the sale of an advertised article by presenting it to his customers with his recommendation, or, on the other hand, he can sometimes temporarily hinder the purpose of advertising by throwing cold water on the merits of the advertised article when presented by his customers, or else directing their attention to similar articles, with the assurance that the latter are "equally good," or even better than the advertised articles. The average consumer in such cases is apt to accept the recommendation of the retail dealer as coming from one of experience and knowledge rather than trust to his own unaided judgment: A few unprogressive retail dealers still object to being forced to handle certain advertised articles on account of the volume and effectiveness of the demand thus

created. Especially is this true where the articles in question do not pay the dealer a satisfactory profit, as is not infrequently the case. The province, therefore, of the salesmen of the hypothetical jobber and his brand of edge tools is to demonstrate to the retail dealer that it is to his interest to "push the sale" of the articles under consideration. For, be it known that unfortunately some dealers and their clerks are not salesmen in the modern sense of the word. They are more apt contentedly to supply what the customers call for without endeavoring either to direct and guide such wants, or to increase their volume. In other words, goods are usually bought of such retailers rather than sold by them, though this condition is one that is steadily improving as to the salesmanship of the dealer. The salesman, therefore, of the jobber in question must seek to make an active salesman of each retail dealer whom they call upon.

To do this effectively, there must first be a satisfactory profit in the advertised brand of edge tools to the retailer. The salesmen must then bring this to the attention of the dealer and thus enlist his interest in these goods, because of the profit which there is in them to the dealer. He must counsel him deftly and tactfully to bring them to the attention of each prospective consuming customer. This will be all the easier, he can explain, because the con-

suming public who use edge tools are already familiar with the merits and attractive qualities of these tools through the ceaseless advertising campaign which is being conducted in behalf of these tools. He can encourage and direct the dealer to do local advertising himself on behalf of these tools—in the local newspapers, by sign boards, electric light signs, window displays and all the manifold methods of advertising. The goods once being established in public favor do much to advertise themselves by the commendation and good report of those using them. When this point is reached it also becomes very easy to spread the effect and benefit of such good report to any addition to the line.

If, for instance, in this line of edge tools under consideration it is decided to add a new item, say a cutting tool, not yet embodied in the general assortment, then it can be safely assumed that the new tool will at once be accepted by the consuming public as being in every way as meritorious and effective as those with which they are already acquainted.

It is absolutely essential that the quality of the advertised articles be not only maintained without deterioration, but that it be improved whenever possible. Some owners of advertised articles have been foolish and shortsighted enough to deteriorate the quality of

their goods, in order to decrease cost of production and thus increase their profit, when once these goods were firmly established in popular favor. They trusted to the good reputation of their articles and the effectiveness of their advertising to continue indefinitely the demand for their products. And in so doing they leaned upon a broken reed. For a time the mere momentum of a good reputation carried them along. But in time the truth came out and the reputation of the goods became ruined for all time, and the demand for them fell off accordingly. Nor was it ever possible for them to "come back."

Advertising must be adequate and proportioned both in its extent and nature. A concern of limited local trade cannot afford to adopt what is known as "national advertising," but must confine itself to local advertising. Nor can a concern with a small product, even though it sell this product all over the country, afford to advertise in any extended way, unless it is quite sure that such advertising will greatly increase the demand for such products. Moreover, often the nature of the product itself limits its demand, and advertising in such instances must be on a moderate scale. For instance, pocket knives and scissors are universally used, and are fit subjects for national advertising,

while pencil holders have a limited use, which cannot possibly be sufficiently increased by any amount of advertising. National advertising is usually done in magazines and periodicals having a nation wide circulation, and the great expense of such advertising is supposed to be compensated by the number of readers who see the advertisements. It is obvious, however, that there must be made evident, commensurate returns to warrant the great expense thus continuously incurred, since fugitive advertisements appearing now and then cannot produce the full effect desired. For the effect of advertisements can never be predicated in advance, since it is an interesting fact of human nature and experience that the average man only sees the advertisements of things which interest him.

The purpose of advertising has been stated as that of throwing bricks at a man until you finally hit him. For persistence is the soul of advertising, or as one advertising concern has phrased it, "Keeping everlastingly at it."

In local matters sometimes very good results are obtained by an intensive campaign of all manner and methods of advertising until supposedly every man, woman and child in the territory in question knows of the advertised articles. Not only must advertising

be adequate and proportioned in extent, but likewise in nature. It is recognized nowadays that most everything offered to the public is a fitting subject for advertising. But obviously the manner of advertising a Symphony Orchestra Concert, and a Vaudeville show must differ widely. It is in the recognition of this fact and how to treat it that the art of advertising lies, especially as to the extent it calls upon the skill, intelligence and experience of the advertising man.

There must be an adequate recognition and perception of the different classes and people to whom advertisements are directed and the psychology and environment of different callings and professions. The woman shopper may be attracted by a bargain sale, while the carpenter and mechanic look for enduring quality in the tools upon whose use they depend for their living. A homely but piquant phrase, an apt illustration, a pertinent quotation, or a striking and original statement, are apt, however, to catch the attention of most users. For instance, in that line of edge tools, which we have selected as a typical example, it might not be amiss occasionally to vary the story of their merit and the details of their efficient workmanship by such quips as, "a red haired, cross-eyed girl has nothing on these chisels for temper"; "These

Pocket Knives are sharper than a Serpent's tooth"; "These are the identical Razors with which the Scribes and Pharisees split hairs in ancient times."

As stated previously the purpose of advertising is to increase the demand for the articles advertised, and in such increase must the main advantage and profit of advertising be found. It is not a good game arbitrarily to raise the prices of advertised articles when once they have become established in popular favor. Doing so, under the impression that the public must have such goods, because of the publicity created for them by advertising, and will be forced to pay the advanced prices, is usually a fatal delusion. The public in such cases are quick to take offense and to resent the action as an endeavor to despoil them. The profit from an advertised article must usually be found in an increase in volume, which thus makes up for the expense of advertising.

CHAPTER XIV

THE HUMAN EQUATION

Success in business in the earlier stages of our country's history usually fell to the lot of those dominant personalities, who not only had vision as to the future, but that much rarer quality of seizing opportunities when they presented themselves, and of taking fortune at the flood. As the pioneer days passed away, and opportunity had to be created rather than seized, there naturally and inevitably ensued the period of organization when coördinated bodies of men essayed to supplant the work of individual genius. Naturally there came to be placed upon system, method and the machinery of commercial life an undue emphasis, which has persevered unto our own day. In fact so-called scientific methods, often the products of purely theoretic students, have been exploited to a degree that is often at the expense of common sense and of a due regard for the overwhelming importance of the human equation in every phase of business life.

Systems are necessary in all large and extended businesses if the work is to be done promptly and effi-

ciently, but they are of small, and often of doubtful value unless controlled and administered by trained and intelligent human beings. The danger to be guarded against in all systems is their tendency to perpetuate themselves in their original form as something sacred and infallible, and consequently there is lost the realization of the necessity of their being always kept up to date if they are to preserve their efficiency. The "red tape" of official life is a living example of how expensively, slowly, laboriously and unintelligently systems work when they thus become largely matters of inheritance and tradition. The inevitable tendency of every system is to perpetuate itself for the benefit of the system itself, and not for the definite and speedy accomplishment of certain results. So in effect every system, unless watched, regulated, and revivified, becomes in many ways a handicap and not a help to the transacting of business.

It must be remembered that systems and mechanical labor-saving inventions are separate and distinct things, and not to be confounded. Such inventions as adding machines, multigraphing machines, machines that open, seal and stamp letters, and all similar appliances have nothing in common with system, but are merely the results of the efforts of inventive genius to do away with

the expense of unnecessary human labor, to remove the chances of human mistakes, and to accelerate the transaction of business. Such machines are the inevitable accompaniment and part of every well-ordered system, but are not the thing itself.

System is in effect the intelligent coördination of all the various phases of any business, so as to produce the most economical and efficient results. As an example, the care of stock in connection with selling, buying, and ordering must be always to the end that orders when received shall be filled as completely, promptly and economically as possible. To this end not only must all mechanical labor-saving devices be employed, where the volume of business warrants such expense, but there must likewise be trained and instructed employers and employees directing and carrying out all the operations. It is this latter phase, which is the great problem of all business to-day. The problem is an individual one, since the training and discipline of human beings finally resolves itself into the separate instruction of each unit. To this end there must first be the spirit of coöperation, which filters down from the top, since as Goethe said, "Every institution is the lengthened shadow of one man."

Discipline is essential in every organization, and there must be obedience to commands from those in charge.

But it matters materially whether or not that obedience is enforced by mere autocratic fiat or by the coöperative spirit of team work. The discipline and team work of a football team in a modern University is a case much in point. There, obedience is prompt and unquestioned, but it proceeds from voluntary submission of will to one whose intentions and ability are trusted to bring about the victory for the honor of the college, which is the purpose for which the team is organized. The relations of employer and employee are far different from those of the past generation. Respect for leadership is won by display of ability and by democratic bearing, and not by the mere *ipse dixit* of place and authority. The essential thing in the success of any organization is the creation of an esprit du corps where each employee feels a personal interest in the success of the concern. Such a spirit can be created only by the genuine interest of those who give orders in those who execute them. As far as possible, the success of the concern must in such measure as is feasible, signify some participating success by its workers. Only here it often encounters that phase of human nature, which is willing to share the benefits of prosperity, but not so willing to bear the burdens of the days of business depression. The problem is a large and complicated one, and not easy of solution. Often the best intentions of the

employer fail of their purpose, because they seem to smack of charity or condescension, which is something few employees are willing to accept. All that the average worker asks is a square deal and such opportunity of advancement as may fall to his lot, though this latter statement is always subject to the amendment that almost every man places an undue value upon his services that business conditions make it impossible to recognize in anything like his reckoning.

The surest way to bring about real efficiency in any organization and to create an interest by its members in their work is a definite plan of educating each employee in the nature and function of his work, for only in this way will the average employee interest himself in his job. It is also an "immortal cinch" that he will make but small progress in his work unless he likes it. Otherwise he is interested merely in holding his job. All teaching which is worth while means infinite patience and infinite detail. But the burden of this infinite detail upon the learner must be lightened by an explanation as to the meaning and purpose of this drudgery of minuteness, so that it may be seen and realized as a means to an end, that end being the accomplishment of definite and efficient processes. Only in this manner can there be opened up to the learner the full meaning and possibilities of his

labors, and the education thus involved in his intelligent prosecution of his work. For almost every occupation in business life has such possibilities in full measure, if only the worker has the vision to discern them. In the chapter on "Ordering" it was shown how the simple and apparently uninteresting and monotonous work of ordering goods has almost infinite possibilities of an education which is world wide in its scope. Moreover, as enlightened self-interest is a most potent incentive in human nature to action, it must be demonstrated to the learner in humble station that by this process of learning the possibilities of his job, he is fitting himself in the best possible way for higher and more lucrative positions.

There are to-day a great many successful men in business in high positions who commenced their careers as office boys, and it was solely because they were efficient and capable office boys that they went on to better things. In most cases, however, their success was due to an inborn ambition and initiative which made them study their duties in the lack of definite teaching by those higher up. For the ideas of training employees systematically in their duties is largely a modern conception, and an outgrowth of the recognition of the truth that education and intelligence are business assets of the utmost value. It is much easier to make an efficient employee

out of a well-educated boy than of one who is only partly educated, provided the matter of individual ability be about equal. Only by persistent training and education in their daily duties, illustrating the lessons by constant examples, can the average boy or man be made to think about his duties, and see the reason for the various acts that he daily performs. "Using your head," as is the common phrase, is not a general attribute of humanity, simply because it has never been made so by ceaseless education. Such consecutive and logical thinking can be made an instinctive impulse in most workers, by teaching them, line upon line, precept upon precept, to ask the why and wherefore of every new proposition presented to them, to endeavor to analyze its possibilities and its limitations, so that they may intelligently proceed in its execution. The bane of business, and the cause of innumerable and costly mistakes, is blindly doing things because they were always done that way, when the reasons for such action may have been materially changed or else entirely disappeared.

Always there should be encouraged in employees the habit of making suggestions for the benefit of the concern, although no one should ever of his own volition alter the manner of doing anything without first consulting some one in authority. It is also the part of wisdom for those

in authority to give careful consideration to all such suggestions, even though most of them, as is usually the case, are of no special value. There will be however usually enough wheat in the chaff to make it worth while.

The methods of teaching, that they may be effective, are too diverse to be treated in this chapter, especially as they vary much in different occupations. But the teachers must always be men of experience, who themselves know the business and have patience and also human interest enough to realize the fruits of their labor. We hear much of the needs of efficiency in our industrial life in the future, which awaits us after the war. Somewhat mistakenly it has been supposed that we must imitate autocratic methods, which have been so strikingly exemplified by one of the gteat powers of Europe. No methods can be further from our purpose, or the hope of its accomplishment. Between the ways of autocracy and the ways of democracy there is a great gulf fixed, and the present war has shown that although democracy be unprepared in the beginning it soon learns to beat autocracy at its own game. System and efficiency in our future industrial life can come only after our own fashion and our own native instincts, and by the spirit of intelligent and trained coöperation between all sorts and conditions of men in commercial life.

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